

DEALER MANUAL



Secretary of State

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INTRODUCTION

The Michigan Department of State licenses and regulates motor vehicle dealers. This Dealer Manual provides information about dealers' requirements under the *Michigan Vehicle Code* (Public Act 300 of 1949, as amended) in an easy-to-follow format. It is also designed to instruct dealers about how to complete certain types of documents and about the proper maintenance of dealer records.

All vehicle dealers are expected to be familiar with the laws and regulations that govern their businesses. **If you have a question, check this manual first.**

Dealers should review the Dealer Manual and familiarize their staff with its contents and layout. The chapters and sections of the Dealer Manual are arranged by topic, with an index and helpful appendices at the end. The information in this Dealer Manual is not protected by copyright, and may be reproduced in part or in whole, as needed.

Changes in law or policy may require periodic updates to the Dealer Manual. Revised chapters are no longer mailed to licensees, but will be placed on the Michigan Department of State's Web site (www.Michigan.gov/sos) with revision dates for comparison. Any corresponding chapters in your Dealer Manual having dates that do not match the revision dates should be removed and replaced.

Issues that significantly impact dealers and their businesses are typically announced in Dealer Bulletins and Dealer Newsletters. These resources are also available online. Please check the Department of State's Web site frequently to ensure your dealer resources are up to date.

IMPORTANT NOTE: If a conflict appears between the language of this manual and the language of Michigan law, the law will prevail. Please refer to specific statute or consult an attorney if any conflict is perceived or encountered. The Michigan Vehicle Code can be accessed online at www.michiganlegislature.org

Because of space limitations, the Dealer Manual only highlights basic requirements for Michigan dealers. It does not attempt to identify or explain every requirement of applicable law, rule or policy.

IMPORTANT TELEPHONE NUMBERS

Attorney General, Michigan Department of

Consumer Protection Division..... (517) 373-1140 or (877) 765-8388

Auto Theft Hotline (800) 242-HEAT
(4328)

Environmental Quality, Michigan Department of

Environmental Assistance (800) 662-9278

Labor and Economic Growth, Michigan Department of

Bureau of Construction Codes, Building Division (manufactured housing) ... (517) 241-6300

Corporations Division (517) 241-6470

Office of Financial and Insurance Services (insurance, installment sales) (877) 999-6442

Workers' Compensation..... (517) 322-1195

Natural Resources, Michigan Department of

Retail Sales Section (Off-Road Vehicle information)..... (517) 373-9900

State, Michigan Department of (Bureau of Regulatory Services)

Business Licensing Division (517) 636-6400

Fax..... (517) 335-2810

- Dealer Licenses/Renewals
- Dealer Plates (replacement, issuing, canceling)
- Dealer Surety Bonds
- Fleet Insurance
- Mechanic Licensing and Testing
- Repair Facility Registration

Compliance Division (517) 636-6400

Fax (517) 373-7419

- Consumer Complaints
- Curbstoner Referrals (unlicensed dealers)
- VIN replacement/assembled vehicles

Training and Resource Section, Program Operations Division (517) 241-6850

Fax (517) 373-0964

- Dealer Manual
- Repair Facility Manual
- Licensee Training Classes

State, Michigan Department of (Other Areas)

Department of State Information Center	(517) 322-1460
• Branch Office Issues	
• Plate Fee Calculation	
• Resale Title Processing	
Electronic Funds Transfer	(517) 241-6865
Fax-on-Demand Server	(517) 335-4FAX
Garage Keeper's Lien.....	(517) 322-1473
Record Look-up Unit (vehicle histories).....	(517) 322-1624
Repossessor's License	(517) 241-9234
Titles by Mail	(517) 322-1473
Watercraft, ORVs, and snowmobiles	(517) 322-1460

Treasury, Michigan Department of

Sales, Use and Withholding Tax Division	(517) 636-4730
• Sales Tax Exemptions	
• Sales Tax Reciprocity (with other states)	
• Sales Tax for Watercraft, ORVs, snowmobiles	

U.S. Government

Auto Safety Hotline (NHTSA).....	(888) 327-4236
Customs (imports)	(313) 442-0368
Federal Trade Commission (window stickers).....	(202) 326-2222

CHAPTER 1

LICENSING REQUIREMENTS

Section 1-1

LICENSING OF DEALERS

1-1.1 Authorization. Section 248 of the *Michigan Vehicle Code* (MCL 257.248) provides that any person, partnership, or corporation engaging in business as any type of vehicle dealer in Michigan must be licensed by the Michigan Department of State. The Dealer Program Section oversees this licensing activity. Other auto-related businesses, such as motor vehicle repair facilities and automotive mechanics, are also licensed by the Department of State.

The Michigan Department of State licenses nine types of dealers, including new vehicle dealers, used vehicle dealers, vehicle brokers, and various types of salvage/scrap dealers. Applicants must complete a form AR-0032, *Original Vehicle Dealer License Application*, to obtain a dealer license.

1-1.2 License Expiration. Dealer licenses expire each December 31 and must be renewed annually. Form AR-0033, *Vehicle Dealer License Renewal Application*, is mailed to the dealer's licensed location each September. This license renewal application should be completed and returned with the required fee before November 1. Early submission will ensure that the renewal will be processed before the December 31 expiration date.

1-1.3 Unrenewed License. After December 31 of each year, dealers who have not renewed their licenses may not operate legally. Secretary of State branch offices will not accept transactions from dealers whose licenses have expired.

1-1.4 Trailers. A dealer license is required for the sale of trailers weighing over 2,500 pounds. A license is required for all trailers or campers that require a certificate of title (e.g., trailer coaches or pick-up campers).

Section 1-2

ESTABLISHED PLACE OF BUSINESS

1-2.1 Authorization. By law, every dealer must have and maintain an established place of business. This requirement is outlined in Section 248 of the *Michigan Vehicle Code* (MCL 257.248). The location shown on each dealer's license is the dealer's official "established place of business." Any changes in the dealership location must be reported immediately to the Licensing Section at 517/373-9460.

1-2.2 Designated Secretary of State Branch Offices. In order for a dealer to do business with the Michigan Department of State, the dealer must specify a Secretary of State branch office or offices which the dealer intends to use. Up to three branch offices may be designated. A change in the dealer's business location may warrant a change in the dealer's previous branch office designation. Form BFS-18, *Dealer Request for a Designated Branch Office*, is available from any Secretary of State branch office.

1-2.3 Requirements. All of the following requirements must be met to qualify a dealer location as an established place of business:

- a) Approval by the Secretary of State;
- b) Occupied by the dealer either continuously or on a regular basis;
- c) Books and records kept there;
- d) A large share of the business transacted there;
- e) Vehicle inventory kept there.

1-2.4 Additional Locations in Same County. A dealer license authorizes the dealer to conduct business at a principal place of business in a particular county. Additional locations in the same county may be licensed as supplemental locations, at no fee, if the same activities will be conducted. If the types of activity differ, a separate dealer license is needed.

1-2.5 Another County. A separate dealer license is required if a dealer sells at retail in another county or establishes a place of business in another county.

Section 1-3

WORKERS' COMPENSATION INSURANCE

Used vehicle parts dealers (Class C) and automotive recyclers (Class R) must maintain workers' compensation insurance for employees classified as automobile dismantlers, or else have an insurance exemption from the Michigan Department of Consumer and Industry Services. Foreign salvage vehicle dealers (Class H) must maintain workers' compensation insurance as required by their home states. Other dealers may also need to carry workers' compensation insurance, but proof of such insurance is not required with the application for Class A, B, D, E, F, or G dealers (unless also licensed as a Class C or R dealer). Contact the Michigan Department of Consumer and Industry Services at 517/322-1195 for details.

Section 1-4

BUSINESS HOURS

1-4.1 Requirement. A dealer must maintain and post regular business hours and must advise the Michigan Department of State of those hours. A dealer's business hours are kept on record with the department.

1-4.2 Limited Business Hours. Dealers may operate under “limited” business hours, if the dealer has informed the Licensing Section in writing of those hours. At a minimum, a dealership must be open to the public for business at least four consecutive hours each week during “normal business hours.” Normal business hours are considered to be Monday to Friday, 9 a.m. to 5 p.m.

1-4.3 Change in Business Hours. A dealer must notify the Michigan Department of State if the dealer's business hours change. There are two ways to notify the department of such a change:

- a) Send or fax a brief letter to the Licensing Section listing the new hours. The address is: Michigan Department of State, Licensing Section, Lansing, Michigan, 48918-1210. The fax is: 517/335-2810.
- b) Change the pre-printed business hours listed on the dealer's next license renewal application. Simply cross off the old hours of business and write in the new hours. Mail this form to the Licensing Section.

Section 1-5

SURETY BOND

1-5.1 Requirement. All Class A, B and D dealers are required to maintain a vehicle dealer surety bond in the amount of \$10,000. These bonds are used to reimburse purchasers, sellers, financing agencies, and government agencies for monetary loss caused by any tax deficiency, fraud, cheating, or misrepresentation in the conduct of the dealer's vehicle business.

1-5.2 License Termination. If a surety bond company cancels a dealer's surety bond, the dealer's license terminates on the effective date of the bond cancellation.

1-5.3 Procedures. Michigan law (MCL 257.248) requires the issuing surety company to notify the Michigan Department of State in advance of any bond cancellation. The Licensing Section will notify the dealer by mail of the cancellation. If the bond has not been replaced or reinstated by the cancellation date, a second notice is mailed advising the dealer the license has been terminated and all dealer plates must be surrendered. Secretary of State branch offices and other interested businesses are then notified that the license is no longer in effect.

1-5.4 Loss of License. If there is no surety bond, there is no license. Dealers whose bonds are canceled or who have no bond on file with the Michigan Department of State must immediately cease operations and may not sell vehicles, process RD-108s, or otherwise conduct business.

Section 1-6

MICHIGAN NO-FAULT INSURANCE

New and used vehicle dealers (Class A and B) are required to maintain a minimum of 20/40/10 fleet-type Michigan no-fault vehicle insurance. The insurance certificate must indicate coverage for either “all owned vehicles” or “any vehicle.”

Section 1-7

DEALERSHIP CHANGES

1-7.1 Requirements. Michigan law requires a dealer to notify the Michigan Department of State of changes affecting the dealer's business operations. Changes in ownership, officers, location, business hours, type of business, franchise status, and dealer classifications are examples of changes which require notification or approval by the Michigan Department of State. Failure to do so may result in suspension or revocation of the dealer's license under Section 249 of the *Michigan Vehicle Code* (MCL 257.249).

1-7.2 Procedure. A dealer must complete and submit an original application for a license (form AR-0032) or a special application (form AR-0068), *Vehicle Dealer License Application Change of Name and/or Change of Address*, to request a change.

Section 1-8

CHANGE OF ADDRESS OR CHANGE OF BUSINESS NAME

1-8.1 Postal Changes. If a dealer's business address is changed by the Post Office but the dealership has not moved, the dealer should submit a copy of the postal notice to the Licensing Section.

1-8.2 Move within Same County. When a dealer moves to a new location within the same county, the dealer must complete form AR-0068, *Vehicle Dealer License Application Change of Name and/or Change of Address*, which is available from the Licensing Section.

1-8.3 Move from One County to Another. When a dealer moves to a new location in another county, the dealer must contact the Licensing Section to request form AR-0068. Change of address riders for the surety bond and fleet insurance are required. Sole proprietorships and partnerships must provide a copy of the assumed name filing in the new county.

1-8.4 Change of Name. When a dealership changes its name, the dealer should contact the Licensing Section and request form AR-0068, *Vehicle Dealer License Application Change of Name and/or Change of Address*. Change of name riders for the surety bond and fleet insurance are required from the dealer.

Section 1-9

CHANGE OF OWNERSHIP

1-9.1 Requirement. All changes in the ownership of a dealership must be reported *in writing* to the Licensing Section. Contact the Licensing Section for the appropriate application.

1-9.2 Corporations. Deleting an officer's name from a dealer license requires *written* notification. The dealership must submit to the Licensing Section either of the following:

- a) A written statement, signed by the person whose name is being removed from the license, requesting the removal; or,
- b) A certification signed by a corporate officer authorized to act on behalf of the corporation, requesting that the person's name be removed from the dealer license.

To add an officer's name to the license, the applicant needs to complete form AR-0069, *Dealer Corporate Officer Change Application*, including fingerprint cards. The name may be added to the license only after an investigation of the applicant's background has been conducted.

1-9.3 Partnerships. Written notification to the Licensing Section is required whenever names are added to, or deleted from, a dealer license. A new dealer license is needed in certain cases.

- a) **Adding a Name.** To add a partner to the license, the dealer must complete an application including fingerprint cards for the new person. The name may be added only after the Michigan Department of State has conducted an investigation of the applicant's background.
- b) **Deleting a Name.** To delete a partner's name from the license, the dealer must submit a statement, signed by the person whose name is being removed from the license, requesting the removal, or a certification signed by another partner.

1-9.4 Limited Liability Companies. Written notification to the Licensing Section is required when a managing member is added or deleted from a dealer license.

- a) **Adding a Name.** Adding a member's name to the license requires the dealer to complete form AR-0069, *Dealer Corporate Officer Change Application*, including fingerprint cards. The name may be added to the license only after the Michigan Department of State has conducted an investigation of the applicant's background.
- b) **Deleting a Name.** Deleting a member's name from the license requires a statement, signed by the person whose name is being removed from the license, requesting the removal, or a certification signed by another managing member.

1-9.5 Individual Ownership. When a sole owner incorporates a dealership or transfers ownership to another person or entity, a new dealer license application is needed. An individual owner may add or delete a husband or wife by amending the current license. A copy of the new assumed name filed with the county must be submitted to the Michigan Department of State. The dealer license number will not change in this case.

Section 1-10

ADDITIONAL SALES LOCATIONS

1-10.1 Supplemental Locations. A supplemental location is a licensed, approved place of business located within the same county as the dealer's primary established place of business and is in addition to the primary business location. The business activities at a supplemental location must be the same as those conducted at the primary location.

To apply for a supplemental location license, the dealer completes form AR-0066, *Vehicle Dealer Supplemental Location License Application*, available from the Licensing Section. A dealer may have as many supplemental locations as desired, but each location must qualify and be licensed by the Michigan Department of State. There is no fee to add a supplemental location.

1-10.2 Temporary Sales Locations. On occasion, a dealer may want to hold a temporary sale at a location away from the established place of business. This may include a “tent sale,” an auto show, or a similar event during which vehicles may be displayed or sold for a specified length of time. Additional licensing is needed for these activities. Applications should be submitted to the Licensing Section at least 30 days before the date of the sale to allow time for processing. See also Section 1-10.3.

- a) **Inside County of Licensure.** If the temporary location is within the dealer’s county of licensure, a *Vehicle Dealer Supplemental Location License Application*, form AR-0066, is needed. A *Michigan Vehicle Dealer Close-Out Statement (Temporary Location)* form is also needed. The Close-Out Statement will be used to cancel the supplemental license once the temporary sale is over. Approval for temporary sales cannot be given without a Close-Out Statement.
- b) **Outside County of Licensure.** If the temporary location is outside the dealer’s county of licensure, form AR-0032, *Original Vehicle Dealer License Application*, is needed. Applications must be accompanied by a \$10,000 surety bond and a *Michigan Vehicle Dealer Close-Out Statement (Temporary Location)* form. The Close-Out Statement will be used to cancel the supplemental license once the temporary sale is over. Approval cannot be given without a Close-Out Statement.

NOTE: Dealer plates are not issued for temporary sales locations, and a temporary license may not be renewed.

1-10.3 Temporary Sales Locations – RV Dealers. Licensed RV dealers do not need to obtain a supplemental license to deal in motor homes, trailer coaches, trailers, or pickup campers at a recreational vehicle show if all of the following apply:

- a) The dealer is licensed as a new or used vehicle dealer (Class A or B); and,
- b) The duration of the recreational vehicle show is not more than 14 days; and,
- c) Not less than 14 days before the beginning date of the recreational vehicle show, the show producer submits a Recreational Vehicle Show application form to the following address: Michigan Department of State, Licensing Section, Lansing, Michigan, 48918-1210.

The form may also be faxed to the Licensing Section at 517/335-2810. A copy of the form is available online at www.michigan.gov/sos (click on “Services to Businesses”).

Section 1-11

GOING OUT OF BUSINESS

1-11.1 Procedures. When closing a dealership, including a supplemental location, a dealer must complete a *Vehicle Dealer Close-Out Statement*. The dealer must return the wall and pocket licenses, dealer plates, and unused temporary registrations to any Secretary of State branch office or they may be mailed to the Licensing Section.

1-11.2 Vehicles in Inventory. Whenever possible, a dealer should dispose of vehicles in inventory before going out of business. Any vehicles owned at the time of closing must be titled in the dealer's name and sales tax paid. When closing only a supplemental location, vehicles left in inventory may be either transferred to the main location or to another supplemental location.

Section 1-12

TWO-AT-ONE LOCATION

Occasionally, two dealers may choose to share a single location. The Michigan Department of State will approve such an arrangement if all of the following conditions are met:

- a) The names of the businesses are not so similar as to create confusion for the public;
- b) Both dealers sign a written agreement to share the location, have separate offices, keep all books and records separate, keep all inventory separate, post signs identifying each separate business and provide a copy of the signed agreement to the department; and,
- c) Each applicant must furnish the department with a detailed sketch showing the separation of offices, inventory, and display areas.

Section 1-13

DEALER CLASSIFICATIONS

1-13.1 Requirements. A dealer license may be issued in one or more classifications (classes) depending on the business activities of the dealer. Michigan law imposes different obligations upon different classes of dealers, and not all classifications are “compatible”. The following descriptions indicate what activities each dealer class allows and which classes are compatible.

NOTE: A dealer license number begins with a letter. The letter represents the dealer's “primary” (first in the alphabet) class. Additional classes are referred to as “alternate classes.” This means if you are licensed in Classes “A”, “B”, and “C”, your dealer license number will begin with an “A” (for example, your number could be A9999) and your alternate class codes will be “B” and “C”. The license number alone may not show all license classes a dealer has, but the wall license will show all class information by describing all authorized activities.

1-13.2 Class A (New Vehicle Dealer). A licensed new vehicle dealer buys and sells new vehicles under a franchise agreement or contract with the manufacturer of the new vehicle. A Class A license is compatible with B, C, and E; or B, E, and R classes described below.

As a general rule, Michigan law provides manufacturers, importers, and distributors shall not sell any motor vehicle directly to a retail customer other than through its franchised dealers. If more specific information is required, please refer to Public Act 239, Section 14. See the Michigan Legislature web site at the following address: www.michiganlegislature.org/

1-13.3 Class B (Used Vehicle Dealer). This class of dealer buys and sells used vehicles. A Class B license is compatible with A, C, and E; or A, E, and R classes. Class B dealers may also buy and sell late model distressed vehicles if one of the following applies:

- a) The Class B dealer is also licensed as a Used Vehicle Parts Dealer (Class C) or an Automotive Recycler (Class R);
- b) The Class B dealer legally acquires the vehicle (from someone other than a broker, auction, salvage pool or insurance company), obtaining a salvage title if it does not have one, and, after rebuilding the vehicle, has it inspected and recertified before selling it; or,
- c) The Class B dealer legally acquires a vehicle which requires a scrap title, obtains a scrap title if it does not have one, and sells the scrap vehicle only to a class C, F, H, or R dealer. See Chapter 5 for more information about distressed vehicles, salvage vehicles, and scrap vehicles.

1-13.4 Class C (Used Vehicle Parts Dealer). This dealer buys or otherwise acquires late model major component parts (see Chapter 5) for resale, either at wholesale or at retail. This dealer may also acquire whole vehicles to dismantle them for the resale of their parts, selling the remains as scrap. Class C, and Foreign Salvage Vehicle Dealers (Class H) and Automotive Recyclers (Class R), are the only classes which can buy late model distressed vehicles (salvage or scrap vehicles) or late model major component parts through Michigan auctions, brokers, or salvage pools. Insurance companies may sell directly to Scrap Metal Processors (Class F).

NOTE: A Class C dealer may only be represented at an auction, broker or salvage pool by its licensed Salvage Vehicle Agent (see Section 1-13.11).

- a) **Authorization.** A Class C license is compatible with A, B, and E; or E and F classes. Class C is not compatible with D, G, H, or R classes.
- b) **Selling Whole Vehicles.** A Class C dealer may sell a whole vehicle as follows:
 - 1) The vehicle is sold to a Scrap Metal Processor (Class F); or,
 - 2) The Class C dealer applies for a scrap title and sells the unit by assigning the scrap title to another Class C dealer, or to a Class H or Class R dealer. If the scrap title to the vehicle has been assigned to the Class C dealer in the first assignment space of the scrap title, the unit may be sold and the title reassigned only to a Class F Dealer. Class C, H, or R dealers may sell scrap-titled vehicles on a bill of sale with a disclosure statement that the scrap-titled

vehicle is being sold “for parts only.” The word “scrapped” or “junked” should be written on the face of the title and the title mailed to the Michigan Department of State, Bureau of Driver and Vehicle Records, Conversion Unit, Lansing, Michigan 48918. Under no circumstances should the scrap title be given to the purchaser; or,

- 3) The Class C dealer is also licensed as a Class B Used Vehicle Dealer.

1-13.5 Class D (Broker). A broker is a dealer who, for compensation, either brings a buyer and seller together, negotiates the terms of a transaction, or displays a vehicle offered for sale. In the broker's role regarding the sale, purchase, lease or exchange of vehicles or salvageable parts, the broker does not have title or other legal interest in the vehicle or salvageable part. A person who conducts a vehicle auction is a type of broker and requires a Class D license.

- a) **Authorization.** The Class D license is compatible only with Class G.
- b) **Prohibited Practices.** A broker may not acquire ownership of vehicles or their major component parts.
- c) **Restrictions.** Brokers have restrictions in selling late model distressed vehicles. A broker, salvage pool or auction may sell, transfer, or release a late model distressed vehicle, salvage vehicle, scrap vehicle, or salvageable part only to:
 - 1) The vehicle's former owner; or,
 - 2) A licensed Salvage Vehicle Agent representing a Used Vehicle Parts Dealer (Class C), a Foreign Salvage Vehicle Dealer (Class H), or an Automotive Recycler (Class R).

1-13.6 Class E (Distressed Vehicle Transporter). This class of dealer may buy, transport, and sell vehicles only to a Class C Used Vehicle Parts Dealer; Class F Scrap Metal Processor; or Class R Automotive Recycler.

- a) **Authorization.** A Class E license is compatible with A, B, and C; or C and F; or A, B, and R; or F and R classes.
- b) **Restriction.** Class E dealers may NOT sell parts or dismantle vehicles. Transporters may remove gas tanks, batteries, radiators, tires, and wheels to sell as scrap or to make the vehicle acceptable to the scrap metal processor.

1-13.7 Class F (Vehicle Scrap Metal Processor). This type of dealer processes vehicles into scrap metal by shredding, shearing, fragmenting, baling, or similar means. Crushing is not considered a scrap metal process since it is not the final step before remelting.

- a) **Authorization.** A Class F license is compatible with C and E; or E and R classes.
- b) **Exception.** A scrap metal processor who acquires vehicles exclusively from licensed dealers is not required to be licensed, but must keep certain records and make them available for inspection by Michigan Department of State representatives and law enforcement officers.

1-13.8 Class G (Vehicle Salvage Pool). This dealer stores and displays damaged or distressed vehicles for insurance companies.

- a) **Authorization.** A Class G license is compatible only with Class D.
- b) **Restrictions.** Salvage pools may not sell vehicles to repair facilities. The salvage pool, like auctions and brokers, may only sell, transfer or release late model distressed vehicles, salvage or scrap vehicles and late model major component parts to one of the following:
 - 1) The vehicle's former owner; or,
 - 2) A licensed Salvage Vehicle Agent representing a Used Vehicle Parts Dealer (Class C), a Foreign Salvage Vehicle Dealer (Class H), or an Automotive Recycler (Class R).

1-13.9 Class H (Foreign Salvage Vehicle Dealer). This dealer is licensed in another state and is engaged in this state in the business of purchasing, selling, or otherwise dealing on a wholesale basis in salvageable parts or late model distressed vehicles. This dealer buys or otherwise acquires late model major component parts (see Chapter 5) for resale, either at wholesale or at retail. The dealer may also acquire whole vehicles to dismantle for the resale of parts, selling the remainder as scrap.

Except for the Used Vehicle Parts Dealer (Class C) and the Automotive Recycler (Class R), this is the only dealer class which can legally buy late model distressed vehicles (salvage or scrap vehicles) or late model major component parts from insurance companies, or through auctions, brokers, or salvage pools in Michigan.

- a) **Authorization.** A Class H license is not compatible with any other Michigan vehicle dealer license. The foreign salvage vehicle dealer must also be licensed in their home state as a salvage dealer in vehicles or parts.
- b) **Restrictions.** A Class H dealer may only buy or sell late model distressed vehicles or late model major component parts at Michigan auctions, brokers, or salvage pools when represented by its licensed Salvage Vehicle Agent. A salvage vehicle agent license is not necessary when dealing at other dealerships in Michigan, provided the activity is wholesale only.

1-13.10 Class R (Automotive Recycler). This dealer buys or otherwise acquires late model major component parts (see Chapter 5) for resale, either at wholesale or at retail. This dealer may also acquire whole vehicles to dismantle them for the resale of their parts, selling the remains as scrap. Except for the Foreign Salvage Vehicle Dealer (Class H) and the Used Vehicle Parts Dealer (Class C), this is the only class which can legally buy late model distressed vehicles (salvage or scrap vehicles) or late model major component parts through auctions, brokers, or salvage pools in Michigan. Insurance companies may sell directly to Scrap Metal Processors (Class F).

NOTE: A Class R dealer may only be represented at an auction, broker, or salvage pool by its licensed Salvage Vehicle Agent (see Section 1-13.11).

- a) **Authorization.** A Class R license is compatible with A, B, and E; or E and F classes. Class R is not compatible with C, D, G, or H classes.
- b) **Selling Whole Vehicles.** A Class R dealer may sell a whole vehicle only as follows:
 - 1) The vehicle is sold to a Scrap Metal Processor (Class F); or,
 - 2) The Class R dealer applies for a scrap title and sells the unit by assigning the scrap title to another Class R dealer, or to a Class C or Class H dealer. If the scrap title has been assigned to the Class R dealer in the first assignment space of the scrap title, the unit may be sold and the title reassigned only to a Class F Dealer. Class C, H, or R dealers may sell scrap-titled vehicles on a bill of sale with a disclosure statement that the scrap-titled vehicle is being sold “for parts only.” The word “scrapped” or “junked” should be written on the face of the title and the title mailed to the Michigan Department of State, Bureau of Driver and Vehicle Records, Conversion Unit, Lansing, Michigan 48918. Under no circumstances should the scrap title be given to the purchaser; or,
 - 3) The Class R dealer is also licensed as a Class B Used Vehicle Dealer.

1-13.11 Salvage Vehicle Agent License. Michigan law requires any person in the business of buying, selling, or dealing in late model distressed vehicles (including salvage and scrap vehicles) or salvageable parts through an auction, broker, or salvage pool to be licensed as a Class C, H, or R dealer and be represented by a licensed Salvage Vehicle Agent.

- a) **Authorization.** To qualify for a license as a salvage vehicle agent, a person must be the owner or an employee of one of the following dealers:
 - 1) A Used Vehicle Parts Dealer (Class C); or,
 - 2) A Foreign Salvage Vehicle Dealer (Class H); or,
 - 3) An Automotive Recycler (Class R).

NOTE: A Class C, H or R dealership may have no more than two licensed salvage vehicle agents at one time.

- b) **Notification Approval.** The dealer submits form AR-0188, *Original Salvage Agent License Application*. Upon approval, the agent will receive an authorization letter with instructions on how to obtain a photo identification card. The agent must prominently display the card when attending salvage pools or auctions where vehicles with salvage or scrap titles are being sold.
- c) **Agent Changes.** If any of the agent's information changes or the agent loses his or her photo identification card, the dealer must submit form AR-0191, *Salvage Vehicle Agent Application for Corrected or Duplicate License*. If the dealer hires a new salvage agent, the dealer submits an original application for a salvage vehicle agent license.

1-13.12 Repair Facilities. A repair facility may not buy salvage or scrap vehicles or late model major component parts from insurance companies or through auctions, brokers, or salvage pools unless the repair facility has a Class C, H, or R dealer license.

- a) **Michigan Repair Facilities.** Michigan motor vehicle repair facilities which are not licensed as dealers may only buy vehicles or parts used in connection with the repair of customers' vehicles from dealers licensed to sell the vehicles or parts. Whole vehicles may be purchased only from Class A or B dealers. If the vehicles are late model distressed vehicles, the Class A or B dealer must also have alternate Class C or R to sell them to the repair facility. Parts may only be purchased from Class C or R dealers. In the case of whole vehicles, repair facilities must actually become the owner and take title to the units. Dealers selling vehicles to repair facilities which are not also licensed as dealers must complete RD-108s.
- b) **Out-of-state Repair Facilities.** Out-of-state repair facilities may only buy late model major component parts or salvage or scrap vehicles in Michigan, if they are licensed as a Class H Foreign Salvage Vehicle Dealer. See Section 1-13.9.

Section 1-14

DEALER PLATES

1-14.1 Authorization. Michigan law permits the use of dealer plates for specified purposes and prohibits other uses. Every Class A and Class B dealer must purchase at least two dealer plates.

1-14.2 Proper Use. Employees, servants, or agents of a dealer may operate a vehicle owned by a dealer for any purpose, provided that the vehicle is not a "service vehicle." This group of permissive users includes the dealer, full- and part-time employees, and authorized agents. There is no time limit on the use of a vehicle with a dealer plate operated by these persons. Examples of proper use of dealer plates on vehicles include:

- a) Dealer-owned vehicles being driven to and from repair facilities, storage lots, and other locations where vehicles are being held prior to sale;
- b) Dealer-owned vehicles being moved to locations where they may be bought or sold; and
- c) Dealer-owned vehicles driven by employees, servants, or agents for any use except as a service vehicle.

In addition, a dealer-owned vehicle may be driven by a prospective customer of a dealership for testing or demonstration purposes for up to 72 hours, and a person who has purchased a vehicle from a dealership may operated the vehicle with a dealer plate for up to 72 hours after taking delivery of the vehicle.

1-14.3 Improper Use. Section 244 of the *Michigan Vehicle Code* (MCL 257.244) prohibits the use of dealer plates in the following circumstances:

- a) On vehicles not owned by the dealer (except as noted above);

- b) On vehicles used as service cars or wreckers;

NOTE: Service vehicles include courtesy cars, loaners, rental/lease units and vehicles used for obtaining parts, or to transport monies and documents to banks and Secretary of State branch offices, etc. Service vehicles must be registered like regular vehicles.

- c) On vehicles owned by the dealership when operated by a person who is not the dealer, the dealer's employee or agent, or a prospective purchaser; and
- d) On vehicles titled as scrap or salvage unless the salvage-titled vehicle has been inspected and recertified by a specially-trained police officer.

1-14.4 Sanctions. The following are penalties for improper use of dealer plates:

- a) **Administrative Action.** If plates have been illegally used, or if a dealer purchased more than needed for business purposes, the Michigan Department of State may take administrative action against the dealer's license, limit the dealer's plate allotment, or both.
- b) **Tax Consequences.** Under Michigan's sales and use tax laws, use tax is due whenever a vehicle is removed from inventory and is operated for reasons other than testing or demonstration. Such vehicles should be titled in the name of the dealership. Use tax should accompany the dealer's regular tax return, unless sales tax is paid at the time of titling.
- c) **Civil or Criminal Consequences.** A person using dealer plates illegally may be ticketed and fined. The courts may hold dealers liable for associated civil or criminal violations. In some cases, police may confiscate the vehicle, particularly when ownership is in question. The police may also seize or impound dealer plates being used illegally. It is ultimately the courts' decision whether or not citations are justified in improper dealer plate use cases.

1-14.5 Dealer Plate Frames. License plate frames may not block or partially block registration information imprinted on the plate. See Appendix B for list of vendors.

1-14.6 Loss of Plate. A dealer who loses a dealer plate must immediately report its loss to the Licensing Section. Replacement plates may be requested at the same time. There is a replacement fee of \$5.00 per plate.

Section 1-15

REPAIR FACILITY SERVICE

Class A and Class B dealers are required to have a facility capable of servicing vehicles offered for sale. Dealers may either:

- a) Register as a repair facility by submitting form AR-0012, *Motor Vehicle Repair Facility Registration Application*, or have a current repair facility registration; or,

- b)** Enter into a servicing agreement with a registered repair facility. The agreement must contain the repair facility's Michigan registration number and be signed by the owner of the repair facility. A sample agreement form is enclosed with form AR-0032, *Original Vehicle Dealer License Application*.

CHAPTER 2

RECORD KEEPING REQUIREMENTS

Section 2-1

REQUIRED RECORDS

2-1.1 Authorization. Section 251 of the *Michigan Vehicle Code* (MCL 257.251) requires vehicle dealers to make and keep certain records concerning vehicle sales transactions. These records must be kept for a minimum of five years. They must be available for inspection by law enforcement officials and Michigan Department of State investigators during unannounced visits.

2-1.2 Required Records. A dealer must have the original title or another proper ownership document for every used vehicle in the dealer's possession. Other records which dealers must maintain are identified below.

2-1.3 Class A Dealers. The following records may be needed, depending on the activities in which the dealer engages:

- a) Copies of processed RD-108s;
- b) Police Book (hardcover or computerized) or washout system;
- c) Copies of front and back of conforming titles for odometer disclosure;
- d) Copies of separate odometer disclosure statements used with non-conforming titles, manufacturer's certificates of origin (MCO), or new vehicle sales with electronic manufacturer's certificates of origin;
- e) Copies of purchase agreements;
- f) Titles or other ownership documents (TR-42, TR-52, etc.);
- g) Copies of salvage disclosure statements;
- h) Copies of installment sales or lease contracts;
- i) Copies of *Application for Original Michigan Salvage Title or Scrap Title* forms (TR-12);
- j) Copies of *Salvage Vehicle Recertification Inspection* forms (TR-13A, TR-13B);

- k) Copies of temporary registrations and a separate log of temporary registrations;
- l) Copies of *Scrap Vehicle Inventory* forms (TR-9);
- m) Copies of *Major Component Parts Records* (parts sales records);
- n) Copies of auction receipts.

2-1.4 Class B Dealers. The following records may be needed, depending on the activities in which the dealer engages:

- a) Title or other ownership documents (TR-42, TR-52, etc.);
- b) Copies of processed RD-108s;
- c) Police Book (hardcover or computerized);
- d) Copies of front and back of conforming titles for odometer disclosure;
- e) Copies of separate odometer disclosure statements used with non-conforming titles;
- f) Copies of salvage disclosure statements;
- g) Copies of purchase agreements;
- h) Copies of finance contracts;
- i) Copies of *Application for Original Michigan Salvage Title or Scrap Title* forms (TR-12);
- j) Copies of *Salvage Vehicle Recertification Inspection* forms (TR-13A, TR-13B);
- k) Copies of temporary registrations and a separate log of temporary registrations;
- l) Copies of *Scrap Vehicle Inventory* forms (TR-9);
- m) Copies of *Major Component Parts Records* (parts sales records);
- n) Copies of auction receipts.

2-1.5 Class C and Class R Dealers. The following records are needed:

- a) Titles or other ownership documents (TR-42, TR-52, etc.);
- b) Police Book (hardcover or computerized);
- c) Copies of *Application for Original Michigan Salvage Title or Scrap Title* forms (TR-12);
- d) Copies of *Major Component Parts Records* (parts sales records);
- e) Copies of *Scrap Vehicle Inventory* forms (TR-9);
- f) Copies of bills of sale or receipts for parts sales;

- g) Copies of auction or salvage pool bills of sale.

2-1.6 Class D and Class G Dealers. The following records may be needed, depending on the activities in which the dealer engages:

- a) Police Book (hardcover or computerized);
- b) Copies of front and back of conforming titles for odometer disclosure;
- c) Copies of separate odometer disclosure statements used with non-conforming titles;
- d) Copies of salvage disclosure statements;
- e) Copies of broker fee agreements;
- f) Copies of purchase agreements;
- g) Copies of RD-108s for retail sales;
- h) Copies of temporary registrations and a separate log of temporary registrations.

2-1.7 Class E Dealers. The following documents are needed:

- a) Titles or other ownership documents (TR-42, TR-52, etc.);
- b) Police Book (hardcover or computerized);
- c) Copies of *Scrap Vehicle Inventory* forms (TR-9);
- d) Copies of separate odometer disclosure statements used with non-conforming titles.

2-1.8 Class F Dealers. The following documents are needed:

- a) Copies of *Scrap Vehicle Inventory* forms (TR-9);
- b) Police Book (hardcover or computerized).

2-1.9 Class H Dealers. The following documents are needed:

- a) Police Book (hardcover or computerized);
- b) Copies of *Major Component Parts Records* (parts sales records);
- c) Copies of odometer disclosure statements;
- d) Copies of salvage disclosure statements;
- e) Copies of bills of sale or receipts for parts sales;
- f) Copies of auction receipts.

Section 2-2

POLICE BOOK

2-2.1 Description. A Police Book may be a hardcover, bound volume or a computerized record (see Section 2-3 for additional information on Computerized Police Books), containing a complete bought-and-sold record for each vehicle handled by a dealer. The hardcover Police Book must be completed in ink. Police Books can be purchased at office supply stores or printing companies (see Appendix B).

2-2.2 Use. When a dealer buys or acquires a vehicle for sale, certain information must be entered into the Police Book or washout system. The following information is required:

- a) Name and address of the person from whom the vehicle was acquired (not the name of the auction);
- b) Date the dealer purchased or acquired the vehicle;
- c) Stock or inventory number assigned;
- d) Title number (does not apply to new vehicles). If the title is not yet available, leave the space blank. The vehicle may not be offered for sale until the dealer possesses a properly assigned title;
- e) If the vehicle does not have a Michigan title, the state or country issuing the title;
- f) Vehicle Identification Number (VIN);
- g) Description of the vehicle (year, make, body style, color, etc.);
- h) If the vehicle was purchased or sold through a broker, the broker's dealer license number;
- i) Whether the vehicle has a salvage or scrap title;
- j) Buyer's name and address; and,
- k) Date of sale.

NOTE: Michigan's Truth-in-Brokering Act requires that if the vehicle is purchased, sold, leased, or exchanged through a broker, the Police Book must include the broker's name and dealer license number and the amount of the broker's fee, commission, compensation, or other valuable consideration paid by the purchaser or lessee or paid by the dealer, or both.

2-2.3 Dismantled Vehicle Requirements. When a vehicle or its remaining parts is sold or delivered after dismantling, the following information must be recorded in the Police Book:

- a) Name and address of buyer;
- b) Date of sale or date of delivery of the vehicle to the buyer;

- c) Date the title was mailed or surrendered to the Department if the vehicle was sold to a scrap metal processor;
- d) Title number of the title transferred to the buyer if it is not the same title received from the seller. (Example: the dealer applied for a salvage title or resale title before selling the vehicle.)

NOTE: A dealer licensed as only a scrap metal processor (Class F) needs a Police Book entry only for vehicles bought from non-dealers. No Police Book entry is needed for a vehicle bought from a dealer, but the form TR-9, Scrap Vehicle Inventory, must be kept for five years.

Section 2-3

COMPUTERIZED POLICE BOOK

2-3.1 Requirement. A dealer's Police Book may be a hardcover, bound volume, or a computerized record that meets the standards set by the Department of State.

2-3.2 Required Records. All dealers must capture the following in their Police Books:

- a) Stock number assigned to the vehicle;
- b) Vehicle description: VIN, year, make, model, body style;
- c) Title number and an indication whether the title is a regular, salvage, or scrap title;
- d) Name and address of seller;
- e) Name and address of buyer;
- f) Date of purchase (acquisition); and
- g) Date of sale (disposal).

Used Vehicle Parts Dealers (Class C), Scrap Metal Processors (Class F), Foreign Salvage Vehicle Dealers (Class H), and Automotive Recyclers (Class R) must also record the vehicle's color with the vehicle description information.

Class C, H and R dealers must also maintain their major component parts sale record in their Police Book or as an attachment. Dealers may link the major component parts sale record as an electronic sub-record to the Police Book using a common number or "key word" such as the vehicle identification number or stock number.

New vehicle dealer, used vehicle dealer, and broker records must include the amount of any fee, commission, compensation, or other valuable consideration paid by the buyer or seller to a third party (broker) involved in a vehicle transaction. The broker's name and dealer number must also be kept in the records of new and used vehicle dealers.

2-3.3 Reporting Requirements. All records must be kept for five years. Dealers who choose to keep electronic records must print a paper copy of the records of new entries at least once a week and have it available for Michigan Department of State investigators. The printed copy must be cumulative and must be kept for five years. The electronic record may be kept for five years, but this is not required if computer storage space is limited.

The paper copy must be printed in the following format: stock number order first with all other fields either following or indented under the stock number. The paper copy record may be printed on any size paper but it must be printed in at least 10 characters-per-inch type, have no more than six horizontal lines per inch, and have at least one-half inch margins at the top, bottom, and sides.

Each record should contain a “remarks” area for dealers to keep miscellaneous information about the vehicle. For example, remarks could include the name of the auction if the vehicle was purchased at an auction; whether the title is a foreign title; and the new title number if the title was full and was surrendered for a resale title.

2-3.4 Security Features. Any software used by dealers for computerized Police Books must contain certain security features. The program must assign an automated transaction code each time a new entry is created. The transaction code can be as simple as a numeric code starting with “1”. The program must also automatically record the current date each time an entry is created. This date is not the same as the “purchase date” or “acquisition date” field but is a separate date that will create a chronological history of the entry. Both the transaction code and the date must print on the paper copy of the records. The final security feature required is one that will prevent a record from being deleted. Once a record is created, it may be corrected or edited but must not be deleted.

2-3.5 Software Testing. The Department of State will not test, evaluate, or recommend software. Dealers are responsible for meeting the record keeping and reporting guidelines. Questions about these guidelines should be directed to the Dealer Program Section (see *Important Telephone Numbers* at the beginning of this manual).

For a list of vendors providing Police Book software, see Appendix B, Section 3.

2-3.6 Labels. The hardcover Police Book may be completed using a computer-generated label pasted into the book. It must contain all required information and have “tamper proof” adhesive.

Section 2-4

WASHOUT SYSTEM

2-4.1 Restrictions. This is a record keeping system approved for Class A New Vehicle dealers only. A washout system must contain the same information as a Police Book; see Section 2-2.2.

Class A vehicle dealers may also choose to keep this information in an electronic format. Dealers who choose to keep records electronically must make certain that their software meets the requirements for electronic record keeping. For more information on these requirements, see Section 2-3, Computerized Police Book.

2-4.2 Use. A stock number is assigned to a new unit. When the vehicle is sold, the trade-in vehicle is given the same number, followed by an “A”. When that vehicle is sold, the next vehicle taken in trade becomes “B”, etc. When the last vehicle in the chain is sold without a trade-in, the record is “washed out.”

CHAPTER 3

TITLING AND REGISTRATION

Section 3-1

TITLES

3-1.1 Authority. Section 235 of the *Michigan Vehicle Code* (MCL 257.235) requires that a dealer have in immediate possession a properly assigned certificate of title, with odometer information properly completed, for every vehicle acquired by the dealer.

3-1.2 Requirement. A vehicle may not be sold, displayed, or offered for sale in Michigan unless the dealership has a properly assigned title or other ownership document in its immediate possession. This includes vehicles purchased from other states whose laws permit financial institutions to hold the title until the lien is paid (i.e., “title-attached” sales). Brokers and auctions use the Broker Fee Agreement to show authorization to hold the vehicle. See Chapter 6, Section 6-10 for more information on broker fee agreements.

If the dealer is the last assignee on the title or other ownership document, and no blank assignment spaces remain, the dealer must obtain a resale title before displaying or selling the vehicle. See Section 3-11 for more information on resale titles.

NOTE: Odometer laws require that a certificate of title or ownership document be in the immediate possession of the dealer for every vehicle offered for sale. A photocopy or any other facsimile cannot be used in lieu of a properly assigned title or ownership document (e.g., MCO, TR-12, etc.).

3-1.3 Title Possession Exceptions. There are three exceptions to the requirement listed in Section 3-1.2 above, as follows:

- a) *Manufacturer’s Certificate of Origin.* Class A dealers are not required to have a title in possession for a new vehicle having a paper Manufacturer’s Certificate of Origin (MCO) or an electronic (paperless) MCO. However, in the case of a paperless MCO, the dealer must have an invoice or other paper evidencing ownership on file.
- b) *Off-Lease Vehicles.* Dealers are permitted to sell off-lease vehicles without a certificate of title in their immediate possession. See Section 3-4 for information on off-lease vehicle transactions.
- c) *Manufacturer’s Buy Back Vehicles.* The Michigan Vehicle Code does not prohibit a dealer from selling a buy back vehicle when the manufacturer has acquired ownership under the manufacturer’s buy back vehicle program, and is currently holding the certificate of title. The manufacturer must mail the title to the dealer within 5 business days after receiving a signed statement from the

purchaser, acknowledging the purchaser was informed by the dealer that the vehicle was bought back under Michigan or other state's laws.

3-1.4 Proof of Ownership. A proof of ownership may be one of the following:

- a) *Certificate of Title*;
- b) *Salvage Certificate of Title*;
- c) *Scrap Certificate of Title*;
- d) *Garage Keeper's Lien form** (TR-42);
- e) *Notice of Abandoned Vehicle form** (TR-52);
- f) *Certification of Repossession** (TR-10);
- g) *Court Order**.

** Note: Requires the dealer to obtain a resale title issued in the dealer's name prior to sale or display of the vehicle.*

3-1.5 Proper Title Assignments. A proper title assignment includes:

- a) Dealer's name and address, printed or typed;
- b) Dealer's license number;
- c) Completed odometer disclosure statement, if applicable;
- d) Signed and printed names of the buyer and seller;
- e) Date of the assignment.

Section 3-2

WHOLESALE TRANSACTIONS

3-2.1 Instructions. A wholesale vehicle transaction is one in which a vehicle is transferred from one licensed dealer to another, and the purchasing dealer is buying the vehicle for the purpose of resale. In wholesale transactions, the selling dealer assigns the title or MCO to the purchasing dealer, enters the sale information into the police book, completes the odometer disclosure, and completes separate salvage disclosure, if applicable. **All title assignments must be dated.**

3-2.2 Resale Titles. If all assignment spaces on the title are already filled, the selling dealer must apply for a resale title before completing the sale. No tax is due. See Sections 3-1 and 3-11 for more information.

Section 3-3

RETAIL TRANSACTIONS

3-3.1 Authority. Section 257.217 of the Michigan Vehicle Code requires a dealer to apply for title and registration on the retail purchaser's behalf within 15 days of vehicle delivery. The requirements for completing form RD-108, *Michigan Application for Title and Registration*, are outlined in Chapter 7.

3-3.2 Requirements. The dealer must provide a copy of each document signed, at the time of signing, to the person who signed the document. This includes the RD-108 and the front and back of the title. Written mileage disclosure must be made for nonexempt vehicles. See Chapter 4, Section 4-1 for more information.

- a) **Used Vehicles.** The odometer reading for used vehicles must be disclosed in the odometer statement of the title assignment. The dealer must properly reassign the certificate of title to the purchaser, including odometer disclosure, and must present the purchaser with both the front and back of the certificate of title prior to the time of sale.
- b) **New Vehicles.** The odometer reading for new vehicles must be disclosed in the MCO assignment; or, if the manufacturer participates in the Department's electronic MCO program for new vehicles, the dealer must disclose the odometer reading on a separate odometer statement.

3-3.3 Transfer of Interest. When interest in a vehicle transfers from a dealer to a purchaser, the dealer is required to apply for a title and registration on behalf of the purchaser within 15 days of vehicle delivery. A transfer of interest in a vehicle occurs when two elements happen:

- a) The purchaser either completes the assignment on the ownership document, or signs the application for title (RD-108); and,
- b) The purchaser takes delivery of the vehicle.

NOTE: Section 257.217 of the Michigan Vehicle Code requires that application be made within 15 days of the date of delivery. Failure to comply with this requirement will result in late fees being assessed, and may result in administrative action against the dealer's license.

3-3.4 Failure to Finance (Spot Delivery). Dealers must apply for title and registration in accordance with the requirements of the Michigan Vehicle Code, regardless of the status of financing. According to the Office of Financial and Insurance Services, a finance contract is between the purchaser and the dealer. Typically, the dealer "sells the paper" to a finance company who then places a lien on the vehicle's title to secure payment.

If the finance company backs out of the transaction for any reason after interest in the vehicle transfers to the purchaser, it becomes the dealer's responsibility to secure financing for the purchaser under the same terms (e.g., interest rate, payment schedule, etc.) as the original finance contract. This may require that the purchaser make the payments directly to the dealer. To remove the finance company as lienholder and place its lien on the vehicle, the dealer completes a corrected RD-108, has the purchaser sign it, and submits it to the Secretary of State branch office for a corrected title.

NOTE: It is a violation of state law to attempt “repossession” of a vehicle after delivery or to change the terms of the finance contract if a finance company refuses the contract after a spot delivery. An installment seller’s license is required to legally accept more than two payments from a customer. Requests for installment seller’s license applications, and questions regarding finance contracts and the laws governing them, may be directed to the Office of Financial and Insurance Services at their toll free number, (877) 999-6442, or at (517) 373-3470.

Section 3-4

LEASE BUY BACK TRANSACTIONS

3-4.1 Authority. Public Act 652 of 2002 permits dealers to sell off-lease vehicles without having the vehicle title in their possession. “Off-lease vehicle” means a motor vehicle leased for a term of more than 30 days that the lessee elects to purchase at the end of the lease term.

3-4.2 Requirements. The Michigan Vehicle Code requires the lessor to mail the title to the dealer within 21 days after receiving payment for the purchase price of the vehicle and any other fees and charges due under the terms of the lease. By law, the dealer has 15 days *after receiving the title from the lessor* to apply for title and registration on behalf of the purchaser.

3-4.3 Conducting an Off-Lease Vehicle Transaction. The Michigan Department of State, in an effort to assist dealers with compliance, has developed the following steps for dealers to use when selling an off-lease vehicle. The two-stage transaction takes into account both the purchase and delivery dates and the requirements of the Michigan Vehicle Code governing the transfer of vehicle ownership.

a) Stage One – Date of Purchase:

- 1) The lessee, electing to purchase a vehicle that he or she has been leasing, generally visits the dealer to arrange for the purchase of the off-lease vehicle. The dealer completes the RD-108 to record the sale information.
- 2) The purchase date is indicated on the RD-108 in the appropriate space on the top left-hand side of the document.
- 3) The dealer records the phrase “Off-Lease Purchase” and the current mileage of the vehicle in the Remarks section of the RD-108.
- 4) The purchaser signs the RD-108 and is given a copy of the RD-108 and all other signed documents.
- 5) The sale information is entered into the Police Book.
- 6) The lessor receives the purchase price and has 21 days to mail the title to the dealer.

b) Stage Two – Date of Delivery:

- 1) When the dealer has received the title from the lessor, the lessee visits the dealer a second time to complete the transaction. The title is properly assigned to the purchaser, including the odometer statement. The dealer may

not sign the title on behalf of the purchaser. See Section 3-8 for more information.

- 2) The dealer enters the delivery date on the RD-108 in the space located under the purchase date on the top left-hand side of the document.
- 3) The dealer enters the current mileage of the vehicle in the designated boxes on the RD-108. The mileage entered on the RD-108's designated mileage section must match the mileage entered on the title's odometer statement, whether actual, not actual, or exceeds mechanical limits of odometer.
- 4) The dealer gives the purchaser a second copy of the RD-108 showing the delivery date and the mileage *at the time of delivery*.
- 5) Unless the lessor owns and retains the license plate on the vehicle, the plate remains with the vehicle and is processed without a plate transfer fee, using the RD-108, into the lessee's name.
- 6) The dealer has 15 days to apply to the Secretary of State for the purchaser's title and registration after the title has been received from the lessor. After 15 days the mandated \$15 late fee is assessed.

Section 3-5

TITLE ASSIGNMENTS

3-5.1 By Seller. The transfer of interest in a vehicle occurs when the owner(s) and purchaser(s) complete and sign the assignment on the ownership document (title, MCO, etc.) or application for title (RD-108) and the purchaser takes delivery. All owners whose names are shown on the face of the title must sign the title. The seller must complete the odometer statement on the title before the sale can be finalized, unless the vehicle is exempt from odometer disclosure requirements.

NOTE: No further reassignments are allowed once all reassignment spaces have been used on Michigan or out-of-state titles. If further reassignment space is needed, a resale title must be obtained. See Chapter 4 for more information.

3-5.2 Errors in Title Reassignments. Dealers cannot erase information, or use correction fluid or correction tape, to correct errors in title reassignments. The dealer must apply for a resale title. To properly correct an assignment error, lineout the incorrect information and enter the correct information. Attach a completed form TR-34, *Certification*, explaining the error.

Section 3-6

ODOMETER STATEMENTS

3-6.1 Requirements. Dealers must keep copies of both incoming and outgoing odometer statements for five years. This includes copies of the both the front and back of titles.

3-6.2 Conforming vs. Nonconforming Titles. Refer to Chapter 4, Odometer Requirements.

Section 3-7

DISCLOSURE STATEMENTS

3-7.1 Disclosure Requirement – Rebuilt Salvage Vehicle. Salvage Vehicle Records Administrative Rule 3 (R 257.253), promulgated under authority of the *Michigan Vehicle Code*, requires certain documentation in the sale of a rebuilt salvage vehicle. Before selling a late model salvage vehicle that has been repaired, inspected, and recertified by a specially trained law enforcement officer, the dealer must certify to the buyer in writing that the vehicle was previously “distressed.” See Chapter 5, Section 5-4 for more information.

3-7.2 Disclosure Requirement – New Vehicle Damage. Written disclosure of damage and repairs is required when a new vehicle dealer is selling a new, demonstrator, executive or manufacturer, or program vehicle that has been damaged and repaired, and that meets the following criteria:

- a) The dealer has knowledge of the damage and repairs to the new vehicle; and,
- b) The cost of the cumulative repairs – calculated at the rate of the dealer’s authorized warranty rate for labor and parts – exceeds *either* of the following threshold criteria:
 - 1) Five percent (5%) of the manufacturer’s suggested retail price (MSRP) of the vehicle; or,
 - 2) Seven hundred fifty dollars (\$750) in surface-coating repairs or corrosion protection restoration, or a combination of these items.

NOTE: The disclosure must include an itemization of the repairs performed. A disclosure statement is not required for any damage or repair of glass, tires, wheels, bumpers, audio equipment, in-dash components or components contained in the living quarters of a motor home. Disclosure of material facts is always necessary, regardless of the cost or extent of repairs.

3-7.3 Disclosure Requirement – Driver Education Vehicles. As provided by the Michigan Vehicle Code, dealers may elect to sell, lease, or loan vehicles to be used for driver education purposes. Disclosure of the vehicle’s use as a driver education vehicle is required.

- a) If the vehicle is sold to a political subdivision of the state (e.g., a school district), an orange title bearing the legend “MUNICIPAL” will be issued in the name of the school district. Check the “Government Vehicle” box on the RD-108 when a vehicle is titled into the name of a school district.
- b) If the vehicle is loaned or leased to the school district, no special title will be issued. However, prior ownership by a municipality or school district is a material fact, and must be disclosed to the purchaser in writing. When a driver education vehicle is returned to the dealer after a loan or at the end of a lease, the dealer must disclose to the purchaser in the Remarks section of the RD-108 that the car was used as a driver education vehicle.

Section 3-8

APPOINTMENT OF AGENT FORMS (POWER OF ATTORNEY)

3-8.1 Authority. The Michigan Vehicle Code requires all purchasers to sign certificates of title, RD-108s, and related documents pertaining to the ownership of a vehicle. When a purchaser cannot sign, an agent may be appointed to sign on behalf of the purchaser. Form TR-128, *Appointment of Agent*, is provided for this purpose. Form TR-128 is available at Secretary of State branch offices, on the Secretary of State's Web site, or through the Fax-on-Demand service. The *Appointment of Agent* form is submitted with the title documents.

3-8.2 Prohibition. Michigan's odometer law (MCL 257.233a) prohibits dealers from signing an odometer statement on behalf of the purchaser; or, if the dealer is acquiring a vehicle by means of a purchase or trade-in, the dealer cannot sign on behalf of the seller. In summary, the following prohibitions apply:

- a) Dealers, their employees, or their agents cannot use form TR-128, *Appointment of Agent*, to sign in the area reserved for the purchaser's signature on the certificate of title;
- b) Dealers, their employees, or their agents cannot use form TR-128, *Appointment of Agent*, to sign the purchaser's signature on a separate odometer statement;
- c) Dealers, their employees, or their agents cannot use form TR-128, *Appointment of Agent*, to sign on behalf of the seller when a vehicle is being traded in or sold to their dealership.

3-8.3 Use. An *Appointment of Agent* form is used when a purchaser or seller cannot be present at the time of sale. A third party is appointed to sign the transaction documents on behalf of the person who appointed them. This includes making proper odometer disclosures. The appointed agent cannot be the dealer, an employee of the dealer, or an agent of the dealer.

The appointed agent prints the name of the person being represented on the document being signed, followed by the designation "P/A" (or "Power of Attorney"). The agent then signs his/her own name.

Section 3-9

TEMPORARY REGISTRATIONS

3-9.1 Availability. There are two types of 15-day temporary registrations used by Michigan dealers:

- a) Form BFS-4, which is used when the dealer applies for a new plate on behalf of the purchaser; and,
- b) The shaded temporary registration area in the left column of the RD-108. This temporary registration is used when a purchaser is transferring a currently valid plate to the newly acquired vehicle.

15-day temporary registrations (BFS-4) and RD-108 forms are used only by Class A, B, and D dealers. The BFS-4 temporary registrations may be purchased at the dealer's designated Secretary of State branch office in blocks of five.

3-9.2 Authorized Use. A 15-day temporary registration is only issued to a purchaser when a new plate is being purchased or transferred and the dealer delivers the vehicle before the RD-108 is processed at a Secretary of State branch office.

A dealer must provide the new plate and the branch-issued registration to the purchaser before the 15-day temporary registration period is over. **The Michigan Vehicle Code prohibits issuing more than one temporary registration per vehicle sale transaction.**

- a) **BFS-4.** The 15-day temporary vehicle registration is issued when a new license plate is being purchased for a motor vehicle, trailer, or trailer coach. The dealer must verify the purchaser has Michigan no-fault insurance before the temporary registration can be issued. It is valid for 15 days from the date of issuance.

Dealers may obtain BFS-4 temporary registrations in blocks of five from their designated Secretary of State branch office for \$5 per block. Dealers may charge purchasers \$1 to cover the cost of the BFS-4. The temporary registration number **must** be recorded in the lower right column of the RD-108.

- b) **RD-108.** The gray-shaded area in the middle left column of the RD-108 must be completed to serve as the 15-day temporary registration for plate transfers. It is used when the purchaser already has a license plate and is transferring it to the newly acquired vehicle. The dealer verifies the registration is valid and in the purchaser's name by seeing proof of registration or by contacting the dealer's designated Secretary of State branch office.

The license plate being transferred must be placed on the new vehicle at the time of delivery. The dealer must ensure that the purchaser receives a copy of the RD-108 at the time of signing. The copy of the RD-108 serves as the purchaser's temporary registration when a plate is transferred.

Table 1
Types of Vehicle Registrations

The following table outlines the specifics of dealer plate use and various types of temporary registrations.

	Dealer Plate	BFS-4 15-Day	BFS-4 15-Day	In-transit Registration
Applicable Purchases	Any	Purchase of a new license plate	Transferring license plate from another vehicle	Out-of-state purchaser
How Long Plate or Registration is Valid	Up to 72 hours after delivery	15 Days	15 Days	14 Days
Information to be Recorded on RD-108	None	Record the BFS-4 control number in the “ <i>Temporary Registration No.</i> ” line of RD-108 (lower right column).	Record plate number in “ <i>Temporary Vehicle Registration</i> ” section of the RD-108 (middle left column).	Record “ <i>no title – in-transit</i> ” in plate number box. Record title number and state to be registered in Remarks section.
Miscellaneous Limitations	None	Dealer must verify proof of Michigan no-fault insurance.	Dealer must verify transfer plate is valid and registered in the purchaser’s name.	Dealer must verify insurance for <u>any</u> vehicle owned by the purchaser.
Cost to Dealer	\$10 each	\$1 each, in blocks of five	None	None – purchaser pays \$10

Section 3-10

14-DAY IN-TRANSIT REGISTRATION (RETAIL TRANSACTIONS ONLY)

3-10.1 Authority. The Michigan Vehicle Code requires a registration to be displayed on all vehicles being driven on Michigan roadways. The 14-day in-transit registration (BFS-50) permits a nonresident to drive a recently purchased vehicle to their home state where it will be titled and registered. Temporary registrations used for Michigan residents are not used for sales to nonresidents.

The 14-day in-transit registration also serves as a tax document for the other state. To ensure proper collection and remittance of sales tax, the selling dealer applies for the in-transit registration, regardless if the purchaser is driving the vehicle or is towing or otherwise transporting the vehicle (e.g., on a truck or trailer) to their home state.

3-10.2 Export Sales. If a vehicle is delivered by the dealer to an out-of-state destination, it may qualify as a tax-exempt export sale. For details, see Chapter 8, Section 8-4. A 14-day in-transit registration cannot be issued for an export sale.

3-10.3 Proof of Insurance. Proof of vehicle insurance is required for all in-transit registrations. This can be insurance for any vehicle in the purchaser's name.

3-10.4 Out-of-state Address. An out-of-state address showing where the vehicle will be titled and registered is required on the RD-108. Since no Michigan title will be issued, a lien will not be recorded in Michigan. Dealers indicate the lien on the RD-108, so it can be recorded by the purchaser's home state when the purchaser titles the vehicle.

3-10.5 Instructions. Use the following steps to obtain an in-transit registration:

- a) Complete an RD-108 as follows:
 - 1) In the space provided for the plate number, enter "NO TITLE – IN-TRANSIT."
 - 2) Enter the complete out-of-state address.
 - 3) Enter the state and title number of the assigned title and the statement "To be Titled and Registered in ___(State)___" in the Remarks section (see Chapter 8 for sales tax information). Example:

REMARKS:
Michigan Title #226C450081
To be titled and registered in Texas

- b) Enter the 14-day in-transit registration fee of \$10 in the license fee box. Submit the properly assigned ownership document (title, MCO, etc.). The branch office will return the ownership document to the dealer with the 14-day in-transit registration.
- c) Give the reassigned title and the in-transit registration to the purchaser. Instruct the purchaser to display the in-transit registration in the rear window of the vehicle. If there is no rear window, display it in any location where it can be easily seen by law enforcement.

3-10.6 Lost Ownership Documents. The in-transit registration application creates a record with the Department of State that shows the transfer to an out-of-state resident. With this record in place, the Michigan Department of State may assist with replacing the title or other ownership document if it is lost before the purchaser has titled and registered the vehicle in his/her home state. Please contact the Department of State Information Center at (517) 322-1460 for more information.

Section 3-11

RESALE TITLES

3-11.1 Requirements. Dealers apply for a resale title when:

- a) All assignments are used on a Michigan title, out-of-state title, or foreign certificate of ownership, and further reassignments are needed.
- b) The ownership document is either a court order; form TR-42, *Garage Keeper's Lien*; form TR-52, *Notice of Abandoned Vehicle*; or another type of bill of sale (vehicle acquired at a tax sale, auction of government vehicles, U.S. Form 97, etc.).
- c) A late model distressed vehicle is not yet titled as salvage or scrap. The dealer must apply for a resale salvage title **within five days after acquiring the vehicle**. See Chapter 5 for more information on distressed vehicles.
- d) The previous owner of the acquired vehicle is deceased. The dealer submits a death certificate and form TR-29, *Certification from the Heir to a Vehicle*, with the RD-108. The Secretary of State branch office will record information from the death certificate and return it to the dealer. The dealer then returns the death certificate to the family. See Section 3-20 for more information.
- e) Vehicle information on the certificate of title (year, make, VIN, body style, etc.) is being corrected. The dealer submits form TR-54, *Vehicle Number and On-Road Equipment Inspection*, with Part 1 completed by a law enforcement officer.

3-11.2 Application. To apply for a resale title:

- a) Complete an RD-108 naming the dealership as both buyer and seller. In the area where the plate number is shown, enter "TITLE ONLY." In the Remarks section, enter "Tax Exempt – For Resale." Be sure that the odometer information is complete and correct and that the proper fee category is entered in the fee category space.
- b) Submit the RD-108 with the reassigned title to your Secretary of State branch office with the title fee. Sales tax is not due.

3-11.3 Legend. The following legend appears on all resale titles:

NOT ELIGIBLE FOR PLATES – NO TAX PAID

Section 3-12

LOST TITLES

3-12.1 Authority. Section 257.217 of the *Michigan Vehicle Code* provides for the replacement of titles that have not been transferred by the Department into a Michigan vehicle dealer's name (e.g., reassigned titles). The Michigan Vehicle Code provides two different methods for replacing a lost title, depending on the age and value of the vehicle.

NOTE: Forms for applying for lost titles may be obtained by accessing the Michigan Secretary of State Web site at www.Michigan.gov/sos or by visiting a Secretary of State branch office.

3-12.2 Surety Bond. If the vehicle is less than six model years old or exceeds \$2,500 in value, the Department will require a surety bond in order to issue a replacement title. This indemnifies the State against outstanding claims of interest in the vehicle. The dealer will need to submit the following documents to a Secretary of State branch office:

- a) Form RD-108, completed for a resale title (see Section 3-11).
- b) Form TR-205, *Ownership Certification*, completed by the dealer.
- c) Form TR-54, *Vehicle Number and On-Road Equipment Inspection*, with Part 1 completed by a law enforcement officer.
- d) Form BDVR-108, *Odometer Mileage Statement*, completed by the dealer.
- e) *Agent's Authority*, available from a bonding agency. This document is usually a power of attorney from the parent company. It shows the company's restrictions for issuing bonds.
- f) Form TR-121, *Uniform Surety Bond*, completed by the bonding company. The bond coverage period must be three years and the face amount of the bond must be for twice the value of the vehicle, as determined by the Department of State.

NOTE: The Department of State will generally accept a bonding company's statement of the vehicle's value. However, under Section 257.217 of the Michigan Vehicle Code, the Department reserves the right to determine the face amount of the bond if it is deemed to be insufficient.

3-12.3 Self-certification of Ownership. If the vehicle is six or more model years old and worth \$2,500 or less, a dealer may self-certify ownership of the vehicle without posting a surety bond. The dealer applies for a resale title by submitting the following forms to a Secretary of State branch office:

- a) Form RD-108, completed for a resale title (see Section 3-11).
- b) Form TR-205, *Ownership Certification*, completed by the dealer.
- c) Form TR-54, *Vehicle Number and On-Road Equipment Inspection*, with Part 1 completed by a law enforcement officer.
- d) Form BDVR-108, *Odometer Mileage Statement*, completed by the dealer.

NOTE: The vehicle must meet both the age and the value criteria to be eligible for self-certification. Failure to meet both criteria requires that a surety bond be posted.

3-12.4 Out-of-state Dealers. There is no provision in the Michigan Vehicle Code for replacing a reassigned title lost by an out-of-state vehicle dealer. Out-of-state dealers must contact the titling authority in their state of licensure to inquire about appropriate steps or seek remedy through a court of jurisdiction.

Section 3-13

TRADE-IN VEHICLE

Sometimes a customer with a trade-in vehicle cannot find its title. A title is required before the transaction can be completed, and it may be necessary to apply for a duplicate title. There are several ways to accomplish this:

- a) The vehicle owner can apply for a duplicate title and, upon receipt, reassign it to the dealer.
- b) The dealer can apply for a duplicate title on behalf of the owner, using form TR-128, *Appointment of Agent*, completed by the owner.
- c) Under certain conditions, the owner and the dealer can process a duplicate/transfer title transaction. This service allows eligible owners to process a duplicate title application in which no title will be printed, followed immediately by processing a transfer title application into the new owner's (dealer's) name. The following steps are used:
 - 1) The owner and a representative of the dealer go together to a Secretary of State branch office to apply for the duplicate/transfer service.
 - 2) The dealer must bring an RD-108, completed for a resale title, for this step of the transaction. The title fee is due for both transactions.

NOTE: If the title record is in two names, both owners must appear at the branch office and present identification.

Section 3-14

RESCINDED (CANCELED) DEALS

3-14.1 Instructions. If a dealer cancels or rescinds a vehicle sale after applying for a purchaser's title and registration, the dealer may claim a credit of the sales tax with the Michigan Department of Treasury, under certain conditions. (Sales tax submitted to the Secretary of State with vehicle sales transaction paperwork is remitted to the Michigan Department of Treasury.)

The dealer may also apply for a refund of the registration fee from the Michigan Department of State if the vehicle was *not* delivered and the plate or tab was not used on the vehicle. If the vehicle was delivered but the registration was not used, the purchaser (not the dealer) may apply for a refund of the registration fee. See Section 3-14 for more information.

NOTE: When a vehicle sale is rescinded, the dealer refunds sales tax and registration fees to the customer.

3-14.2 Sales Tax Credit. To qualify for a credit of paid sales tax, the dealer must meet the requirements established by the Michigan Department of Treasury. Questions regarding eligibility for a sales tax credit may be directed to the Department of Treasury at (517) 636-4730. The steps are as follows:

- a) The customer assigns the title back to the dealership;

- b) The dealer requests a sales tax credit on behalf of the customer – in writing – on dealership letterhead. This request is submitted to the Michigan Department of Treasury at the following address:

Michigan Department of Treasury
Sales, Use and Withholding Taxes
P.O. Box 30442
Lansing, MI 48909

Further information for filing a sales tax credit can be obtained by calling the Michigan Department of Treasury at (517) 636-4730.

- c) The dealer may sell the vehicle again by reassigning the title. A resale title is not required.

NOTE: Rescinding a deal cancels the sale, but does not change the title record. When a new vehicle has been titled and registered in the purchaser's name following a vehicle sales transaction, the vehicle is considered "used." It cannot thereafter be represented as a "new" vehicle to a potential buyer. See Section 3-20.

3-14.3 Registration Fee Refund. To qualify for a registration fee refund, the sale must have been canceled before the vehicle was delivered or, if delivered, before the new license plate or tab was used on the vehicle. There is no refund of the title fee.

- a) **Nondelivery of Vehicle.** If the vehicle was not delivered, the dealer may apply for a refund of the registration fee for the customer, as follows:

- 1) Complete and submit form MV-13, *Request for License Plate Fee Refund*;

NOTE: A sample MV-13 form appears at the end of this chapter. Dealers may photocopy this form for their use.

- 2) Submit a copy of the RD-108;
3) Submit the unused registration plate and tab;
4) Mail all documents and plate/tab to the following address:

Michigan Department of State
Finance Division
Refund Section
Lansing, MI 48918-1422

If approved, the Finance Division will mail the registration fee refund to the dealership.

- b) **Delivery of Vehicle.** If the vehicle was delivered and the new registration was not used, the customer may apply for a refund of the registration fee. Form A-226, *Michigan Department of State Refund Request Form*, is used. The dealer cannot apply for the refund in this situation.

NOTE: The customer may be eligible for a registration fee refund if the vehicle was delivered with a 15-day temporary registration and returned within the 15-day period or delivered with a

dealer plate and returned within the 72-hour period, as long as the customer's new license plate or tab was not placed on the vehicle.

Section 3-15

EXPEDITIOUS TITLE SERVICE

Expeditious title service is offered at all Secretary of State branch offices for vehicle titles, watercraft titles, and mobile home titles. A \$5 fee (in addition to all other fees) is charged for expeditious service. Expeditious title service ensures that if a problem occurs with processing, the application will receive priority attention from Department of State staff in Lansing.

Section 3-16

INSTANT TITLES (WHILE-YOU-WAIT SERVICE)

3-16.1 Locations. Same-day (while-you-wait) title service is provided at several Secretary of State branch offices throughout Michigan. Dealers may contact their designated Secretary of State branch office for information about the nearest location that provides this service. There is an additional \$5 fee for each transaction.

3-16.2 Eligible Transactions. Instant title service is available for new vehicles, used vehicles with a Michigan title, duplicate Michigan titles, and Michigan resale titles. Instant title service is not available for out-of-state titles, original salvage title applications, scrap title applications, mobile home titles, or replacing lost titles.

NOTE: If the Michigan Department of State's mainframe computer is temporarily out of service, instant titles cannot be printed. If a lengthy delay is anticipated, Secretary of State branch offices will accept the instant title application and then mail the new title.

3-16.3 Instant Title Checklist. Before traveling to a Secretary of State branch office for instant title service, a dealer reviews the following steps for correct and necessary documentation:

- a) Make sure the transaction is eligible for while-you-wait service;
- b) Be sure the dealer's agent has proper identification. Identification is required for every instant title transaction. A Michigan driver license or personal identification card is acceptable, or the same documents required for an original driver license;
- c) Be sure to take all documents needed to complete the transaction. This could include, but is not limited to: proof of ownership; legal papers; form TR-54, *Vehicle Number and On-Road Equipment Inspection*; form TR-114, *Special Mailing of Certificate of Title*; form TR-34, *Certification*; etc.

NOTE: Dealers may obtain information about instant title service on the Department's Web site (www.Michigan.gov/sos). Dealers may also contact the Department of State Information Center at (517) 322-1460 with any questions about whether instant title service is available for a particular transaction.

Section 3-17

DRIVER EDUCATION VEHICLES

3-17.1 Requirements. Some dealers provide vehicles to secondary schools for driver education programs. If these vehicles are simply loaned to the school district, there are no special titling requirements. If the vehicles are sold or leased to the school, they must be titled. There are two options for titling:

- a) Title the vehicle in the name of the school district; or,
- b) Title the vehicle in the name of the dealership or the dealer's leasing company.

The dealer enters "municipal" in the body style box of the RD-108 and checks the "Government Vehicle" box.

3-17.2 Sales Tax. Sales tax is not collected. The dealer enters "Tax Exempt – Driver Education Vehicle" in the Remarks section on the RD-108.

3-17.3 License Plates. Plates may be purchased and provided by the dealer or the school district may use its own municipal "X" plates.

NOTE: When a driver education vehicle is returned to the dealer after a lease or a loan, the dealer must disclose in writing to the retail purchaser that the vehicle was used as a driver education vehicle. See Section 3-7. If the vehicle was sold to the school district, a "municipal" brand will appear on the title.

Section 3-18

SELLING A MOTOR VEHICLE TO A MINOR

3-18.1 Authority. An unemancipated minor is a person under age 18 whose actions are the responsibility of the minor's parents or legal guardian. It is unlawful to knowingly sell a motor vehicle to an unemancipated minor without written permission from a parent or legal guardian.

3-18.2 Instructions. The dealer obtains permission from the parent(s) or legal guardian of the unemancipated minor by using form B-32, *Parental Consent to Sell a Vehicle to a Minor*, available from Secretary of State branch offices or the Secretary of State Web site located at www.Michigan.gov/sos (choose the *Forms & Resources* button). Dealers keep the completed form with the transaction documents in the dealership records. Form B-32 is not presented to the Secretary of State office as part of the title transaction. Secretary of State branch office staff will not check the age of vehicle owners or verify parental permission.

Section 3-19

ACQUIRING A VEHICLE – PREVIOUS OWNER DECEASED

If a dealer acquires a vehicle and the owner named on the face of the title is deceased, certain steps are required before purchasing the vehicle:

- a) If the title is in two names with “Full Rights to Survivor” showing, the surviving owner may assign the title to the dealer and submit a copy of the death certificate.
- b) If the title does not read “Full Rights to Survivor” or the title is in only one name, one of the following will be necessary to transfer the interest of the vehicle from the seller to the dealer:
 - 1) If the deceased’s estate is being probated, the Probate Court appoints a Personal Representative to handle the estate. The Personal Representative assigns the deceased’s title to the dealership, provides a copy of their Letter of Authority from the court, and provides a copy of the death certificate.
 - 2) If the estate is not probated, the surviving spouse may assign the title to the dealership using form TR-29, *Certification from the Heir to a Vehicle*, and a copy of the death certificate.
 - 3) If there is no surviving spouse, the next closest relative may assign the title to the dealership using form TR-29, *Certification from the Heir to a Vehicle*, and a copy of the deceased’s death certificate.

In each of these situations, the dealer must obtain a resale title before selling the vehicle. The dealer attaches the required documents (death certificate, TR-29 *Certification from the Heir to a Vehicle* form, and Letter of Authority) to the resale RD-108, and submits the documents to the dealer’s designated Secretary of State branch office.

Section 3-20

WRONG TITLE OR MCO WITH AN RD-108

3-20.1 Instructions. If a dealer submits the wrong MCO or title with an RD-108, the following steps are used:

- a) The new title showing the incorrect VIN will be mailed to the purchaser named on the application. The dealer must retrieve the incorrect title from the purchaser. The transaction cannot be intercepted in Lansing.
- b) To correct the error, two RD-108s must be completed – one for a resale title and one to correct the purchaser’s title.

3-20.2 Used Vehicle Titled in Error. If a used vehicle is titled in error with an incorrect VIN, the dealer submits the following documents to a Secretary of State branch office:

- a) Part One – Obtaining the Correct Resale Title:
 - 1) A copy of the validated RD-108 receipt, form RD-108L, showing the incorrect VIN.
 - 2) The incorrect title. Do not reassign it. A lien on the title does not have to be terminated as long as it is carried over to the second corrected application.
 - 3) Form TR-34, *Certification*, explaining the error. Include descriptions of both vehicles in the statement.

- 4) An RD-108 resale title application naming the dealer as owner.
- 5) The title fee.
- b) Part Two – Applying for a Corrected Title for the Purchaser:
 - 1) The properly assigned title and a copy of the previous (incorrect) RD-108.
 - 2) A corrected RD-108 in the purchaser's name. Note in the Remarks section of the RD-108 that it is a correction transaction to correct the VIN.
 - 3) The appropriate title fee. The tax is carried over from the previous RD-108. Note this in the Remarks section also.

3-20.3 New Vehicle Titled in Error. If a new vehicle is titled in error with an incorrect VIN, the dealer may either apply for a resale title using the above instructions or may request that the incorrect title record be deleted.

3-20.4 Record Deletion. By deleting the record, the vehicle may be sold as new. The following steps are used.

- a) Part One – Requesting a VIN Deletion:
 - 1) The dealer prepares a request on dealership letterhead asking that the incorrect title be deleted from Michigan Department of State records. The dealer indicates in the request that the error was due to a wrong VIN on the RD-108.
 - 2) The dealer submits the request letter, the incorrect title, and a photocopy of the purchaser's corrected RD-108 (showing the correct VIN) to a branch office. The branch office will forward the request to the Bureau of Driver and Vehicle Records in Lansing.
 - 3) If the dealer's request is approved, the incorrect title record will be deleted within 2-4 days of the Department's receipt of the request. Once the title record is deleted, the dealer may sell the vehicle as new.

NOTE: If the vehicle manufacturer does not participate in the Department's paperless MCO program, the dealer will need to obtain a duplicate MCO from the manufacturer.

- a) Part Two – Applying for a Corrected Title for the Purchaser:

To obtain a correct vehicle title, the dealer submits the following to a Secretary of State branch office:

- 1) The properly assigned MCO or title, along with a copy of the previous (incorrect) RD-108.
- 2) A corrected RD-108 in the purchaser's name. Note in the Remarks section of the RD-108 that it is a correction transaction to correct the VIN. The dealer carries the sales tax over from the previous RD-108 by noting it in the Remarks section of the corrected RD-108.
- 3) The title fee.

Section 3-21

DEMONSTRATOR VEHICLE – CLASS A DEALERS ONLY

3-21.1 Authority. Michigan law requires sales tax to be paid on vehicles that are titled and registered for use on the roadways of Michigan, unless the vehicle is tax exempt. A demonstrator is a motor vehicle used for testing and demonstrating purposes and titled as a demonstrator for tax exemption purposes. The Michigan Department of Treasury limits the number of tax-exempt demonstrators a dealer may title in one year.

NOTE: New vehicles owned by new vehicle dealers are eligible for titling as a tax-exempt demonstrator. Used, or second-hand, vehicles cannot be titled as a demonstrator.

3-21.2 Titling a Demonstrator Vehicle. The following steps are used:

- a) Submit a completed RD-108 with the “New” vehicle box checked (the “Demo” box is used when the demonstrator vehicle is sold at a later date). Enter “TAX EXEMPT – DEMONSTRATOR” in the Remarks section;
- b) Complete form 137, *Affidavit to License and Title a Demonstrator*, available from printing companies or dealer associations. Dealers may also produce the form.
- c) Since a dealer plate can be used on a demonstrator vehicle, a license plate does not have to be purchased or transferred when titling a demonstrator vehicle.

Section 3-22

COURTESY DELIVERIES

3-22.1 Authority. The Michigan Vehicle Code requires that any person or business dealing in new vehicles be properly licensed as a Class A dealer. When a Michigan dealer delivers a new vehicle to a Michigan resident, but on behalf of another dealer, it is called a “courtesy delivery.”

3-22.2 Requirements. The dealer making the delivery is not the seller of the vehicle and does not enter the vehicle in the delivering dealer’s records. The delivering dealer does not use their RD-108 to record the vehicle sale and does not reassign the MCO or title. The delivering dealer must be properly licensed and franchised to deal in the make of vehicle being delivered. See Chapter 1, Section 1-13 for more information.

3-22.3 Instructions. When making a courtesy delivery, use the following steps:

- a) If the initial sale was made by a Michigan dealer, the delivering dealer uses the selling dealer’s RD-108, signed by the purchaser. Applicable sales tax is due or must be accounted for.
 - 1) Enter “Courtesy Delivery by (delivering dealer name and dealer number)” in the Remarks section of the RD-108.
 - 2) The RD-108 is submitted to the delivering dealer’s designated Secretary of State branch office within 15 days of vehicle delivery.

NOTE: If the purchaser is transferring a plate to the new vehicle, the delivering dealer fills out an RD-108 with the transfer information. The RD-108 is not submitted to or validated by the branch office. The delivering dealer gives a copy of the RD-108 to the purchaser to serve as the temporary registration for the transferred plate.

- b) If the initial sale was made by an out-of-state dealer, the delivering dealer uses form TR-11L, *Application for Michigan Vehicle Title*, signed by the purchaser. Applicable sales tax is due or must be accounted for.

- 1) Enter the purchase date in the appropriate area of the TR-11L. Enter the date of vehicle delivery underneath the purchase date.
- 2) Enter the selling dealer's name and address in the "Seller's Name and Address" box on the TR-11L. Under this, enter "Courtesy Delivery by (delivering dealer name and dealer number)." Example:

Opryland Chevrolet
1515 Country-Western Drive
Nashville, TN 00000

Courtesy Delivery
Michigan Chevy-Pontiac, License No. A000001

- 3) The TR-11L is submitted to the delivering dealer's designated Secretary of State branch office within 15 days of vehicle delivery.

Section 3-23

CANADIAN OR OTHER IMPORTED VEHICLES

3.23.1 Authority. Federal law requires all vehicles entering the United States from another country for resale to be imported through a registered importer. A registered importer is a business authorized by the federal Department of Transportation to handle the legalities of importing vehicles into the United States. On behalf of the vehicle owner, the registered importer ensures the vehicle has proper ownership documents and meets all EPA and DOT standards. The importer also inspects the VIN, converts the odometer from kilometers to miles, and ensures custom duties are paid, if applicable.

3.23.2 Requirement. When vehicles are imported into the U.S. from other countries, including Canada, additional documents must be presented to the Secretary of State branch office with the application for title. Failure to provide proper documentation may result in the branch office rejecting the application.

- a) **Foreign ownership document.** The foreign ownership document must be properly assigned to the buyer, and must include the following information:
- 1) The date of purchase;
 - 2) The odometer reading in kilometers when sold to the Michigan dealer;
 - 3) The names and addresses of both the seller and the buyer.

- b) **U.S. Customs Form 7501.** This form is required by U.S. Customs for all vehicles entering the United States. The form verifies the vehicle entered the U.S. properly, identifies the port of entry, and declares whether duty is due. It must be stamped by the U.S. Customs office at the port of entry, which verifies they processed the form. Forms submitted to the Secretary of State without this stamp will be denied.
- c) **Vehicle Number and On-Road Equipment Inspection Form (TR-54).** The Department will only title vehicles that are imported for resale by a Michigan dealer, or for private use by Michigan citizens. Customs Form 7501 indicates the port through which the vehicle entered the United States. Michigan port codes begin with the number 38 (e.g., 3801 is Detroit and 3802 is Port Huron).

If the port code does not begin with 38, form TR-54 must be completed by a Michigan law enforcement officer to verify the vehicle is physically located in Michigan. It must be submitted to the Secretary of State branch office with the application for resale title.

- d) **U.S. Department of Transportation Forms.** To certify compliance with Federal motor vehicle standards, the following forms are submitted to the Secretary of State branch office:
 - 1) HS Form 7, completed by the registered importer;
 - 2) A statement of compliance or a waiver from the US DOT.
- e) **U.S. Environmental Protection Agency Forms.** To certify compliance with Federal environmental standards, the following forms are submitted to the Secretary of State branch office:
 - 1) Form 3520-1, completed by the registered importer;
 - 2) A statement of compliance or a waiver from the EPA.

NOTE: DOT and EPA forms are required only when importing “grey market” vehicles that were not manufactured to meet U.S. import standards.

- f) **Odometer Conversion Paperwork:** The registered importer converts the vehicle’s odometer from kilometers to miles, and provides the buyer with an affidavit to describe the odometer conversion. This affidavit will be necessary when titling the vehicle. See Chapter 4, Section 4-9 for more information.

MV-13 REGISTRATION REFUND REQUEST:
APPLICATION FOR LICENSE PLATE FEE REFUND

Certification to be Executed by Purchaser

I certify that I, (we), _____, _____
(name)

_____, did not take delivery of
(address)

YEAR _____ MAKE _____ BODY STYLE _____

VEHICLE NO. _____ for the reason

and all monies, which include license fee and sales tax, have been refunded to me (us) by the dealer.

Signature of Purchaser(s)

Certification to be Executed by Dealer

I, _____, authorized agent for

(name, address, and dealer number of dealership)

certify that YEAR _____ MAKE _____ BODY STYLE _____

VEHICLE NO. _____ was not delivered to _____

_____ and was never operated on
(purchaser's name)

the highway with 20 _____ license plate number _____

A refund of license plate fees under the provision of Section 257.258 (a)(9), P.A. 1949, and sales tax paid upon registration of this motor vehicle is requested.

Signature _____
(authorized agent)

Federal I.D. #

NOTE: Mail this refund request along with a copy of the RD-108 and license plate and tab to the Michigan Department of State, Finance Division, Revenue Accounting Section, Lansing, MI 48918-1422.

CHAPTER 4

ODOMETER REQUIREMENTS

Section 4-1

DISCLOSURE

4-1.1 Authorization. Section 233a of the *Michigan Vehicle Code* (MCL 257.233a) requires the seller to give the buyer a written odometer disclosure statement before delivery when vehicle ownership transfers, unless the vehicle is exempt from odometer requirements (see Section 4-2 for exemption criteria).

4-1.2 Record Retention. All odometer disclosure records must be kept for five years. Odometer readings are disclosed on the conforming title. A copy of the title (both front and back) must be kept in the dealer's records. For non-conforming titles, odometer disclosure is made on a separate odometer statement. In this situation, copies of both the odometer disclosure statement and the non-conforming certificate of title must be retained for five years.

4-1.3 Record Accuracy. Odometer disclosure statements must be accurate and reflect all of the information that is/was available to the dealer. Routinely marking all odometer statements as "mileage not actual" or "mileage unknown" for all vehicles is a violation of the odometer law.

NOTE: It is unlawful for the same person to sign an odometer disclosure statement on behalf of both the seller and the purchaser. A dealer is not permitted to sign an odometer disclosure statement on behalf of the purchaser. Likewise, a dealer cannot appoint a third party (appointed agent) to sign the odometer statement on behalf of the purchaser. If the purchaser cannot appear to sign the odometer statement, the purchaser may appoint a third party (not the dealer or an associate of the dealer) to sign on his/her behalf.

Section 4-2

EXEMPT VEHICLES

Odometer disclosure statements are not required for the following vehicles:

- a) A new vehicle being transferred from a manufacturer to a dealer;
- b) A vehicle with a gross vehicle weight rating (GVWR) of more than 16,000 pounds;
- c) A vehicle which is not self-propelled;
- d) A vehicle which is 10 model years old or older. Use the following formula:
current calendar year minus 10 = first model year a vehicle is exempt.

Section 4-3

CONFORMING VS. NON-CONFORMING TITLES

4-3.1 Conforming Titles. All Michigan titles issued after November 1, 1989, are conforming titles. Michigan titles issued since November 1998 are 8½ by 11 inches and have one reassignment space on the front and four reassignment spaces on the back. According to the National Highway Traffic Safety Administration (NHTSA), all states have issued conforming titles since 1994.

- a) **Definition.** A “conforming” title is one which conforms to federal and state odometer laws. It contains an odometer disclosure statement referencing the state and federal laws and a statement that failing to complete or providing false information may result in fines and/or imprisonment. Also, the title must contain space for the odometer reading to be printed on its face and a disclosure statement in each reassignment which includes space for the following items:
- 1) Odometer reading (no tenths);
 - 2) Date of transfer;
 - 3) Signatures and hand-printed names of both buyer and seller (or seller’s agent);
 - 4) Name and current address of both buyer and seller;
 - 5) Whether the mileage is actual, exceeds mechanical limits (odometer rolled over) or is not actual with a warning that the mileage is not to be relied upon.

4-3.2 Non-conforming Titles. All Michigan titles issued before November 1, 1989, are non-conforming titles.

- a) **Definition.** Non-conforming titles do not contain all of the odometer information required by state and federal law. If a dealer receives a non-conforming title, either from Michigan or another state, the dealer should complete the following:
- 1) A separate odometer disclosure statement that contains the required language; and
 - 2) The odometer disclosure on the title, even if the language is non-conforming. Dealers must not accept any conforming or non-conforming titles with an incomplete odometer statement. When an odometer statement is required, the information must be provided by the seller, not the buyer.

Section 4-4

ODOMETER STATEMENTS

4-4.1 Requirements. All odometer disclosure statements must be completed by the seller. The statement is signed by both buyer and seller, and both parties also print their names. “Print” means hand-printed in ink by the person whose signature appears – not typed, stamped, or computer-generated.

NOTE: A dealer may not sign an odometer statement as both the seller and the buyer. A dealer cannot appoint a third party to sign an odometer statement on behalf of the buyer. If the purchaser cannot appear to sign the odometer statement, the purchaser may appoint a third party (not the dealer or an associate of the dealer) to sign on his/her behalf.

4-4.2 Retail Transactions. For used vehicles, the dealer must always show the title and reassignments to the buyer before delivery of the vehicle. In a retail transaction, the buyer must inspect the title, and sign and print his/her name on the title’s odometer disclosure statement. The dealer must provide a copy of the title to the purchaser at the time the purchaser signs the title. The original documents are returned to the dealer for processing.

4-4.3 Multiple Buyers or Sellers. If there is more than one buyer or seller, the odometer disclosure statement may be signed by any of the buyers or sellers. Unless odometer disclosure is provided on a conforming title, titles must be signed by all buyers and sellers.

4-4.4 Wholesale Transactions. If odometer disclosure is made on a conforming title, the selling dealer keeps a photocopy of the title for 5 years. If the title is non-conforming, and a separate odometer disclosure statement is used, both the buying and selling dealers keep a copy of the odometer disclosure statement for 5 years.

4-4.5 Out-of-state Titles. Out-of-state titles are handled the same as Michigan titles. Odometer disclosure is made in the appropriate space provided on out-of-state titles. If all reassignment spaces are used, the Michigan dealer must surrender the out-of-state title and obtain a Michigan resale title.

NOTE: Michigan’s odometer law requires the title to be shown to the purchaser before delivery of the vehicle. Both Michigan and federal odometer laws require disclosure on the conforming title. According to Michigan law, improper odometer disclosure constitutes prima facie fraud and may result in sanctions against a dealer’s license. It is the selling dealer’s responsibility to make sure the title is present before offering a vehicle for sale at retail or wholesale.

Section 4-5

CERTIFICATES OF ORIGIN (MCO/MSO)

4-5.1 Requirement. Odometer disclosure must be made with every transfer of ownership. This includes “dealer trades” of new vehicles. The purchasing dealer must receive a separate odometer disclosure statement unless provided on the MCO.

4-5.2 Vehicle Never Titled. If a vehicle has never been titled or if an electronic MCO is used, odometer disclosure must be made on a separate document or on a conforming MCO. Unless odometer disclosure is given on the MCO, a certificate of origin does not need to be shown to the purchaser before delivery, nor is the purchaser required to sign the certificate of origin.

Section 4-6

REPLACING OR REPAIRING AN ODOMETER

4-6.1 Actual Odometer Reading Known. If the odometer is being repaired or replaced and the actual reading is known, the new or repaired odometer may be adjusted to register the actual mileage. No door frame sticker is required in this instance (see Section 4-7).

4-6.2 Unable to Register Same Mileage. When repairing or replacing an odometer incapable of registering the same mileage as before the repair or replacement, the odometer must be reset to zero. A notice is then attached to the left front door frame specifying the odometer reading before the repair or replacement and the date it was done. Thereafter, the vehicle must be sold with the mileage brand listed as “not actual.”

Section 4-7

DOOR FRAME STICKERS

Door frame stickers for odometer repair and replacement are usually provided with the replacement odometer. The sticker also may be obtained from business forms suppliers or printing companies specializing in dealer forms and supplies (see Appendix B).

Section 4-8

VEHICLES WITHOUT ODOMETERS

4-8.1 Requirements. A few vehicles have missing or non-working odometers. Dealers may sell these vehicles without repairing or installing an odometer.

4-8.2 Completing Odometer Statement. When completing the odometer disclosure statement for vehicles without odometers or with broken odometers, enter the word “NONE” and check the box “Not Actual Mileage – Warning – Odometer Discrepancy.” Dealers may include a note after the odometer discrepancy information indicating the odometer is broken or missing. When the new title is issued to the purchaser, the front of the title will not show a mileage but will carry the message “No Odometer.”

The person who subsequently repairs or replaces the odometer is required to adjust the odometer to zero, affix a notice to the left front door frame and indicate “None” or “No Odometer” on the door frame notice.

When completing an odometer disclosure statement for a vehicle with a broken odometer, enter the broken odometer's mileage reading and check the "Not Actual Mileage" box.

Section 4-9

KILOMETERS VS. MILES

4-9.1 Procedure. According to NHTSA, when selling a vehicle with an odometer that registers in kilometers instead of miles, the seller should strike the word "miles" and insert "kilometers" in the disclosure statement. Both the buyer and the seller should initial the change.

4-9.2 Applying for Michigan Resale Title. When performing a conversion on an odometer/speedometer to change the reading from kilometers to miles, or if the conversion was previously done in Canada, a Michigan dealer must apply for a Michigan resale title with the following documents accompanying the application:

- a) The Canadian ownership document showing the information listed below:
 - 1) The date of purchase.
 - 2) The odometer reading in kilometers when sold to the Michigan dealer.
 - 3) The names and addresses of both the seller and the buyer.
- b) Form TR-34, *Certification*, completed by the purchasing Michigan dealer to explain how, when, where, and who converted the odometer from kilometers to miles. This certification must list the following information:
 - 1) Exact calculations on how the mileage was determined from the reading in kilometers. The standard Federal conversion rate of 0.62 should be used;
 - 2) The current odometer reading in miles; and
 - 3) A statement that this reading represents "actual", "not actual," or "mileage in excess of mechanical limits," as appropriate.

NOTE: An ownership document (a.k.a. "permit" or "ownership") is the Canadian equivalent of a Certificate of Title. This is considered to be the same as a conforming title document from another state. The conversion information must also be recorded in the Remarks section of the RD-108.

CHAPTER 5

SALVAGE

Section 5-1

SALVAGE TITLES AND SCRAP TITLES

5-1.1 Authorization. Section 248 of the *Michigan Vehicle Code* (MCL 257.248) provides that only those Michigan dealers with C, F, H and R license classifications may deal in salvage- and scrap-titled vehicles and salvageable parts. Additional record keeping is required. A vehicle owner may apply for a salvage title or scrap title at any time, but there are certain times when an owner is required to apply for a salvage or scrap title.

NOTE: A list of non-salvageable parts is printed on the face of salvage and scrap titles.

5-1.2 Distressed Vehicles. Generally, salvage titles are issued when insurance companies acquire distressed vehicles. However, when a dealer acquires a late model distressed vehicle not having a salvage or scrap title, the dealer must apply for the appropriate title within five days.

- a) **Definition.** A distressed vehicle is a late model vehicle with one or more major component parts missing or damaged. The estimated cost to repair the vehicle, including parts and labor, is 75% or more of the vehicle's pre-damaged cash value.
 - 1) For late model vehicles (see Section 5-2 for definition), a salvage title is required if the cost of repairs is 75% or more of the actual cash value and less than 91% of the actual cash value.
 - 2) For late model vehicles, a scrap title is required if the cost of repairs is 91% or more of the actual cash value.
- b) **On-road Use.** Scrap-titled vehicles may not be rebuilt for on-road use. They may only be used for parts or scrap metal.
- c) **Actual Cash Value.** This means the retail dollar value of the vehicle as determined by an objective vehicle evaluation, such as from other dealers, newspaper advertisements, an independent appraisal service, or a current issue of a nationally recognized used vehicle price guide.
- d) **Estimated Cost of Parts.** This is determined by using the current published retail cost of original equipment manufacturer (OEM) parts or the actual cost of parts needed to repair the vehicle.
- e) **Estimated Cost of Labor.** This is calculated by using the hourly rate and time allocations which are reasonable and commonly assessed in the repair industry in the community where the repairs are performed.

Section 5-2

LATE MODEL VEHICLES

A late model vehicle is one that weighs less than 8,000 pounds and was manufactured in the current model year or in one of the five model years preceding the current model year. If the vehicle is over 8,000 pounds and manufactured in the current model year or during the 15 model years preceding the current model year, it is also considered a late model vehicle.

NOTE: For purposes of determining the model year for late model salvage vehicles, the Department of State assumes that all salvage vehicles have a manufacture date of January 1. That means, for example, that on January 1, 2003, all vehicles manufactured in 1998 or later qualify as late model, if the vehicle weighs less than 8,000 lbs.

Section 5-3

SALVAGE VEHICLES

5-3.1 Definition. A salvage vehicle is a late model vehicle that has one or more major component parts that have been wrecked, destroyed, damaged, stolen, or missing, to the extent that the total estimated cost of repairs (parts and labor) is 75% or more, but less than 91%, of the vehicle's pre-damaged actual cash value.

5-3.2 Requirement. If a dealer acquires a vehicle that meets the definition of a distressed vehicle and has not yet been titled as salvage or scrap, Michigan law requires that the dealer apply for a Michigan salvage or scrap title within five days.

5-3.3 Applying for a Salvage Title. The dealer submits form TR-12, *Application for Original Michigan Salvage Title or Scrap Title*, along with the vehicle title and an RD-108 to a Secretary of State branch office.

5-3.4 Major Component Parts. The following is a list of major component parts:

- a) Engine;
- b) Transmission;
- c) Right or left front fender;
- d) Hood;
- e) A door allowing entrance to or exit from the vehicle's passenger compartment;
- f) Front or rear bumper;
- g) Right or left rear quarter panel;
- h) Deck lid, tailgate or hatchback;
- i) Trunk floor pan;

- j) Cargo box of a pickup;
- k) Frame, or if the vehicle has a unitized body, the supporting structures that serve as the frame;
- l) Cab of a truck;
- m) Body of a passenger vehicle.

5-3.5 Selling at Wholesale. New and used vehicle dealers may sell a salvage-titled vehicle at wholesale to an automotive recycler (Class R), a used or secondhand vehicle parts dealer (Class C), a foreign salvage vehicle dealer (Class H), or a vehicle scrap metal processor (Class F) by assigning the salvage title to the buyer. (See Chapter 1 for dealer classifications.)

5-3.6 Selling to Non-dealers. If a salvage-titled vehicle is sold to a retail customer, application must be made for a salvage title in the name of the buyer.

Section 5-4

SALVAGE DISCLOSURE

5-4.1 Requirement. When a late model rebuilt vehicle is sold at retail or wholesale, the selling dealer must disclose its previous salvage status in writing to the purchaser. If it is a retail sale, the dealer must mark the appropriate box on the RD-108. Salvage disclosure must be given to the purchaser before the agreement to purchase is reached.

5-4.2 Disclosure Language. The salvage disclosure must contain a written statement that reads:

“The purchaser of this vehicle has been informed by the seller, before entering into an agreement of sale, that the vehicle described below was previously wrecked, destroyed, or damaged to the extent that a previous owner considered the vehicle uneconomical to repair.”

5-4.3 Signatures. The disclosure must contain spaces for the purchaser’s and seller’s signature and date. The disclosure must be presented to, and signed by, the seller and purchaser before entering into a sales agreement.

NOTE: A sample salvage vehicle disclosure statement is shown at the end of this chapter. This sample may be copied and used by dealers.

5-4.4 Vehicle Description. A detailed description of the vehicle must be written on the disclosure, including:

- a) Vehicle make and model;
- b) Year of manufacture; and,
- c) Vehicle Identification Number (VIN).

5-4.5 Distribution of Copies. A copy of the signed salvage disclosure must be given to the purchaser at the time of purchase. Additionally, a copy of the salvage disclosure must be kept in the dealer's files for five years.

Section 5-5

SALVAGE VEHICLE AGENT

5-5.1 Authorization. Salvage Vehicle Agents licensed by the Michigan Department of State are the only persons authorized to buy salvage- or scrap-titled vehicles or major component parts at salvage pools or auctions.

5-5.2 Specific Dealer Classifications. Class C, H, and R dealers are the only dealers permitted to have Salvage Vehicle Agents. Each Class C, H, and R dealer may have two Salvage Vehicle Agents (including the dealer). A Salvage Vehicle Agent may represent only his/her dealership of employment when dealing in salvage- or scrap-titled vehicles or salvageable parts.

5-5.3 License Expiration. The license for the Salvage Vehicle Agent is directly associated with the employing dealer's license. It expires and is renewed when the dealer's license expires or is renewed. Both the dealer and the Salvage Vehicle Agent applicant must sign the application. Contact the Licensing Section at 517/373-9460 for form AR-0188, *Original Salvage Vehicle Agent Application*.

5-5.4 Photo Identification. Salvage Vehicle Agents receive a photo identification card. The card must be prominently displayed while attending salvage auctions. The Salvage Vehicle Agent license and ID card are not transferable.

Section 5-6

OUT-OF-STATE SALVAGE, SCRAP, OR FLOOD VEHICLES

Vehicles brought into Michigan from another state or province which have a salvage, scrap, rebuilt, flood-damaged, or equivalent title must be issued a comparable Michigan title. The dealer should enter in the Remarks section of the RD-108 the name of the issuing state and the title brand from that state.

NOTE: If questions arise as to an out-of-state brand, you may contact the Secretary of State's Driver and Vehicle Information Center at 517/322-1460 for assistance.

Section 5-7

REBUILT SALVAGE

5-7.1 Recertification Inspection. Before a rebuilt salvage-titled vehicle may be registered for road use, it must be inspected by a certified salvage vehicle inspector, who is a specially trained police officer. Dealers should check with a Secretary of State branch office for the names,

addresses, and telephone numbers of certified salvage vehicle inspectors in their area. The list can also be found on the Department of State's Web site (www.Michigan.gov/sos).

- a) **Application Process.** To apply for an inspection, a dealer must complete form TR-13A, *Application for Salvage Vehicle Inspection*. TR-13A forms are available at Secretary of State offices, or by mailing or faxing a written request to:

Michigan Department of State
Purchasing & Contracts Section
Lansing, Michigan 48918-1444
Fax: 517/335-7338

NOTE: Dealers must include their street address and dealer number when ordering these forms. Orders are sent by UPS and cannot be delivered to a Post Office box.

- b) **Scheduling Inspection.** The completed form TR-13A, *Application for Salvage Vehicle Inspection*, the salvage title, and all receipts for major component parts used to rebuild the vehicle are presented to a certified salvage vehicle inspector. After reviewing the documents, the inspector will schedule a vehicle inspection.

5-7.2 Re-titling for Road Use. Once the inspector determines the vehicle has passed the inspection and completes and signs form TR-13B, *Salvage Recertification Inspection*, the vehicle is eligible for re-titling and registering for road use.

5-7.3 Selling Rebuilt Salvage Vehicle at Retail. When selling a rebuilt salvage vehicle, the dealer must apply for title and registration in the purchaser's name. Forms TR-13A and TR-13B are submitted with the RD-108. Odometer disclosure is required. Written salvage disclosure must be signed by the purchaser indicating the vehicle was previously a distressed vehicle.

NOTE: All subsequent titles issued for rebuilt and recertified vehicles will contain a legend that reads, "REBUILT SALVAGE."

Section 5-8

SCRAP VEHICLES

5-8.1 Definition. A scrap vehicle is a late model vehicle that has at least one major component part that has been wrecked, destroyed, damaged, stolen or missing, to the extent that the total estimated cost of repairs (parts and labor) is 91% or more of its pre-damaged actual cash value. A scrap vehicle may also come into Michigan with a comparable title from another jurisdiction.

5-8.2 Requirement. If a dealer acquires a late model distressed vehicle that requires a scrap title, the dealer must apply for the scrap title within five days.

5-8.3 Procedure. Once a scrap title is issued, the Vehicle Identification Number (VIN) for the vehicle is canceled, or "killed". The vehicle may not be repaired or rebuilt for road use.

Vehicles with scrap titles may only be dismantled and sold as parts, or sold to a vehicle scrap metal processor for metal recycling.

- a) Class C, H, and R dealers may sell major component parts on bills of sale (invoices) after the parts have been removed from the frame or unitized body supporting structure of a scrap vehicle.
- b) The dealer must assign and mark a part number on each major component part. The assigned number may be the original manufacturer's VIN, the manufacturer's part number, or the dealer's stock number. Each part number and description must be listed on the bill of sale.
- c) A frame or unitized body supporting structure may be sold on a bill of sale only after all other major component parts have been removed from it.
- d) Class C, H, and R dealers may sell a scrap-titled vehicle on a bill of sale, provided that the title is marked "scrapped" or "junked" and mailed to the Michigan Department of State, Bureau of Driver and Vehicle Records, Conversion Unit, Lansing, Michigan 48918.

Section 5-9

ASSEMBLED VEHICLES

5-9.1 Definition. An assembled vehicle is one of the following vehicles:

- a) One built (assembled) from new or used materials and parts by someone not recognized as a manufacturer (usually an individual).

Example: a homemade vehicle.

- b) One assembled from a kit (often called "kit cars"), even if an MCO is provided.
- c) One altered or modified to the extent that it no longer reflects its original manufacturer identification.

Example: a Volkswagen made into a dune buggy.

NOTE: Simply replacing the hood, fenders, trunk lid, engine, etc., does not dictate assembled status, unless the vehicle is no longer recognizable as its original year, make and model.

5-9.2 Requirements. Scrap-titled vehicles must be completely dismantled, with all major component parts removed from the frame or unitized body supporting structure, before the frame or unitized body supporting structure may be used as part of an assembled vehicle.

- a) To qualify for an assembled vehicle title, a vehicle assembled from scrap vehicle parts must be made up of major component parts from two or more scrap vehicles. An assembled vehicle may not include both the frame (or unitized body supporting structure) and any other major component part from the same scrap-titled vehicle.
- b) For assembled vehicles, the "year" is the year the first title application is processed

and the “make” is “Assembled”. The VIN is a new state-assigned number.

NOTE: It is illegal to remove an existing VIN plate or to be in possession of VIN plates. State law deems this a felony, punishable by imprisonment for not more than four years, a fine of not more than \$10,000, or both, and revocation of the dealer’s license. VIN plates may never be removed or moved from one vehicle to another.

5-9.3 Applying for an Assembled Title. To apply for an assembled title and the state-assigned VIN, obtain form BFS-72, *Instructions for Titling an Assembled Vehicle*, from a Secretary of State branch office. Dealers need the following to apply for the title:

- a) Any titles or properly-assigned ownership documents (TR-42, TR-52, or TR-182) from vehicles used in the assembly process;
- b) Form TR-54, *Vehicle Number and On-Road Equipment Inspection*, with Parts 1 and 2 completed by a police officer;
- c) Original bills of sale, or if the parts were already owned and no bill of sale exists, form TR-34, *Certification*, documenting how the parts were obtained. Form TR-34 must include the serial number on the part and a statement that the applicant is the rightful owner;
- d) Form TR-34, *Certification*, is also used for summarizing the building process of the vehicle. It should include a description of the vehicle and its parts, who assembled the vehicle, when and where it was assembled, and any special information about the vehicle.

Section 5-10

REPLACEMENT VIN

5-10.1 Requirement. If the manufacturer’s VIN plate is missing from a vehicle, or if the part containing the VIN plate must be replaced, the dealer must apply for a replacement VIN at a Secretary of State branch office.

5-10.2 VIN Sticker. Once the application is approved, Michigan Department of State enforcement personnel will apply a replacement VIN sticker containing the original VIN to the driver’s door post of the vehicle.

Section 5-11

FLOOD-DAMAGED VEHICLES

5-11.1 Requirement. According to the Michigan Vehicle Code, all vehicles and trailer coaches meeting the definition of a flood-damaged vehicle (see Section 5-11.2 for definition) must be issued a specially-branded title that indicates to future purchasers the flood-damaged status of the vehicle. Michigan vehicle titles with flood branding are orange (like salvage titles) to alert purchasers.

NOTE: Any flood-damaged brands shown on out-of-state titles will be carried forward to the Michigan title.

5-11.2 Definition. A flood-damaged vehicle is defined as a vehicle submerged in water to the point water entered the passenger compartment or trunk over the sill of the trunk floor pan or door sill, or a vehicle acquired by an insurance company as part of the settlement of a water damage claim.

5-11.3 Selling at Retail. When selling a flood-damaged vehicle to a retail purchaser, the dealer must check the box marked “Vehicle Has Been Flood-Damaged.”

Section 5-12

RECORD KEEPING REQUIREMENTS

5-12.1 Proof of Ownership. Dealers must have either a properly assigned title, a salvage title, a scrap title, or a form TR-52, *Notice of Abandoned Vehicle*, for every vehicle in inventory. If a dealer acquires a late model distressed vehicle which has a clean or unbranded title, the dealer must apply for the salvage or scrap title within five days.

5-12.2 Scrap Processor Exception. A Vehicle Scrap Metal Processor (Class F) is not required to obtain a title for each vehicle purchased from another licensed dealer. Here, proof of ownership is the *Scrap Vehicle Inventory*, form TR-9.

5-12.3 Police Book Requirements. When dealers acquire vehicles to be dismantled, the vehicles are logged into the Police Book and – as the individual major component parts are sold – they are logged into the Major Component Parts Record. The Major Component Parts Record must be maintained in or attached to the Police Book. Class F Vehicle Scrap Metal Processors are required to make Police Book entries only for vehicles purchased from non-dealers.

5-12.4 Major Component Parts Record. Class C, H, and R dealers must keep a record of major component parts bought and sold. Parts acquired are assigned a stock number and logged into the record. The stock number must be permanently marked on the part. Disposed parts are also logged in the Major Component Parts Record.

a) **Required Information.** A sample of the Major Component Parts Record appears at the end of this chapter. It may be photocopied for use. A Major Component Parts Record must contain the following information:

- 1) A description of the part purchased or sold;
- 2) Name and address of the seller or purchaser;
- 3) Date of the purchase or sale;
- 4) Stock number assigned by the dealer; and
- 5) Incoming and outgoing invoice numbers.

- b) Computerized Records.** The Major Component Parts Record may be kept on computer. However, a paper copy of the data entries and reference codes must be accessible to investigators. See Chapter 2, Section 2 for additional information.

NOTE: Other portions of the Michigan Compiled Laws may require additional records to be kept if the dealership also repairs or replaces certain parts, or purchases used vehicle parts other than from a licensed dealer. Questions regarding the repair or replacement of parts may be directed to the Repair Program Section at (517) 241-4134, and questions about buying parts from non-dealers may be answered by local law enforcement officials.

5-12.5 Scrap Vehicle Inventory, Form TR-9. A dealer selling or assigning a vehicle or its remaining parts to a Class F Vehicle Scrap Metal Processor must complete form TR-9, *Scrap Vehicle Inventory*. TR-9 forms are available by mailing or faxing a written request to the Michigan Department of State, Purchasing & Contracts Section, Lansing, Michigan 48918-1444 (Fax: 517/335-7338).

- a) Completing the Form.** Each form TR-9, *Scrap Vehicle Inventory*, must contain the following information:

- 1) Dealer name and address;
- 2) Dealer number;
- 3) Name, address, and dealer license number of the Vehicle Scrap Metal Processor;
- 4) Date the vehicles were sent to the processor;
- 5) Year, make, VIN, stock number, and color for each vehicle being delivered.

NOTE: Form TR-9, Scrap Vehicle Inventory, is not used to assign ownership of vehicles to dealers other than a Class F Vehicle Scrap Metal Processor. Used vehicle parts dealers who crush and transport vehicles to the processor must acquire ownership by means of a title or other ownership document.

- b) Form Distribution.** Distribute copies of form TR-9, *Scrap Vehicle Inventory*, as follows:

- 1) The first copy is given to the Class F Vehicle Scrap Metal Processor;
- 2) The second copy is sent to the Michigan Department of State within 30 days with the title (or form TR-52, *Notice of Abandoned Vehicle*). It is mailed to the Michigan Department of State, Bureau of Driver and Vehicle Records, Conversion Unit, Lansing, Michigan 48918;
- 3) The third copy is retained by the selling dealer for five years.

MAJOR COMPONENT PARTS RECORD	
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[illegible]

Back of Major Component Parts Record

R 257.253 - Salvage vehicle disclosure information

Rule 3.

1. Before entering into an agreement of sales, a dealer who sells a late model salvage vehicle which has been repaired shall certify to the buyer in writing that the vehicle was previously distressed.
2. The certification may be written or printed directly on a document which evidences the agreement or on a separate document attached to the agreement.
3. The certification shall read substantially as follows:

The purchaser of this vehicle has been informed by the seller, before entering into an agreement of sale, that the vehicle described below was previously wrecked, destroyed, or damaged to the extent that a previous owner considered the vehicle uneconomical to repair.

(Date)

(Signature of Purchaser)

(Date)

(Signature of Seller)

(Make)

(Model)

(Year)

(VIN)

Rule 3.

- The purchaser of this vehicle has been informed by the seller, before entering into an agreement of sale, that the vehicle described below was previously wrecked, destroyed, or damaged to the extent that a previous owner considered the vehicle uneconomical to repair.*

(Signature of Purchaser)

(Signature of Seller)

(VIN)

Back of Salvage Vehicle Disclosure Form

CHAPTER 6

BROKER REQUIREMENTS

Section 6-1

REQUIREMENTS

6-1.1 Authorization. Administrative Rule 1 (257.181) promulgated under the *Michigan Vehicle Code* outlines licensing requirements for brokers. A broker is anyone who, in exchange for compensation, does at least one of the following regarding the sale, lease, purchase, or exchange of a vehicle to which he/she does not have title, ownership, or other legal interest:

- a) Brings together the buyer and seller;
- b) Negotiates the terms of a transaction;
- c) Shows or displays a vehicle.

6-1.2 Exclusion. A person licensed as a Class A, B, C, E, F, H, or R dealer may not be licensed as, or function as, a broker. The only other license classification a Class D Broker may hold is a Class G Vehicle Salvage Pool license.

Section 6-2

BROKER LICENSING

6-2.1 Procedure. As with all other vehicle dealers, a broker must file an application for a dealer license with the Michigan Department of State. The following requirements must be satisfied as part of that application:

- a) Established place of business where books and records will be maintained and a large share of the business transacted;
- b) Proof of a \$10,000 surety bond filed;
- c) Secretary of State branch office designation;
- d) Regular business hours maintained;
- e) Fingerprint cards filed;
- f) Payment of the annual license fee.

6-2.2 License Expiration. All dealer licenses, including broker licenses, expire at midnight of December 31 each year.

6-2.3 Additional Locations in Same County. A supplemental license, at no fee, is required for

any additional locations in the same county.

6-2.4 Additional Locations in Another County. A new, separate license is required for any additional business locations in another county.

Section 6-3

DEALER PLATES AND MOVING PERMITS

6-3.1 Prohibition. Brokers do not qualify to purchase dealer plates. Dealer plates may only be purchased by Class A and B dealers for use on their vehicles.

6-3.2 Temporary Moving Permits. The owners of brokered vehicles may, however, obtain temporary moving permits in order to driving vehicles. These temporary moving permits are available from Secretary of State branch offices and must be purchased by the owner of the vehicle – not the broker. The moving permits are valid for 14 days. The purchaser must provide proof of insurance at time of purchase.

6-3.3 Auctions. Michigan law authorizes auctions to purchase special registration plates to pick up and deliver customer vehicles. Contact a Secretary of State branch office for the special auction plate application form.

Section 6-4

TITLE REASSIGNMENTS

6-4.1 Name on Title. A broker may not be named as an owner in a title assignment or reassignment, unless the broker applies for title in the broker's own name and pays sales or use tax. Titles may not be reassigned by brokers. Resale titles may not be issued to brokers.

6-4.2 Prohibition. Under law, a broker deals in vehicles which the broker does not own or for which the broker does not have title. A dealer cannot act as a broker to deal in vehicles to which the dealer holds title. Consequently, a broker's name cannot appear as an owner or in a vehicle title reassignment on a vehicle title for a vehicle which is being held for sale.

Section 6-5

TITLE AND REGISTRATION APPLICATION – RESPONSIBILITY

6-5.1 Selling Dealer Requirement. Section 217 of the *Michigan Vehicle Code* (MCL 257.217) requires a selling dealer to apply for the retail purchaser's title within 15 days of vehicle delivery. The dealer is also required to register the vehicle for the purchaser. In many brokered retail transactions, the seller will be a licensed Class A or B dealer. In these instances, the selling Class A or B dealer is responsible for applying for title and registration.

6-5.2 Application Service. Auctions and brokers frequently complete the title and registration application as a service to the selling dealer. In these instances, the selling dealer's RD-108

form is used.

6-5.3 Dealer to Dealer (Wholesale) Transactions. In brokered wholesale transactions, the purchaser will be a Class A, B, or C dealer. In these instances, it is not necessary to apply for a new title, since the seller simply assigns the title to the purchasing dealer.

6-5.4 Other Brokered Transactions. When neither the buyer nor the seller is a dealer, the broker is responsible for applying for the purchaser's title and registration and for collecting sales tax. The broker uses their RD-108 to apply for the purchaser's title and registration and to submit sales tax.

Section 6-6

TITLE AND REGISTRATION APPLICATION PROCESS

Each broker may choose up to three designated Secretary of State branch offices for processing retail vehicle sales transactions. The process is as follows:

- a) The RD-108 is completed as described in Chapter 7, showing the broker's name, address, dealer license number, sales tax number, and telephone number in the upper left portion;
- b) The broker types in the name of the seller and the title number shown on the title in the Remarks section of the RD-108;
- c) The broker submits the completed RD-108, properly-assigned title, title and registration fees, sales tax, proof of insurance, and discharge of lien (if applicable) to a designated Secretary of State branch office.

Section 6-7

NEW VEHICLES

When brokering a new vehicle, the broker does not complete their own RD-108 or apply for the purchaser's title and registration. The broker must deal only through a licensed Michigan Class A dealer. It is the selling Class A dealer's responsibility to apply for the purchaser's title and registration, using the Class A dealer's RD-108.

Section 6-8

TEMPORARY REGISTRATIONS

6-8.1 Issued by Broker. When a broker is responsible for applying for title and registration, the broker may issue a 15-day temporary registration to the purchaser. The broker is responsible for ensuring that insurance coverage is in effect and for showing the temporary registration number on the RD-108.

6-8.2 Issued by Another Licensed Dealer. When the RD-108 application is the responsibility of another licensed dealer (the seller), 15-day temporary registrations are issued by the selling

dealer – not the broker.

Section 6-9

RECORD KEEPING REQUIREMENTS

6-9.1 Police Book. As with other licensed dealers, brokers must keep records in a Police Book. The Police Book entry is made at the time of consignment. A washout system cannot be used by a broker. See Chapter 2, Section 2-2 for more information.

6-9.2 Required Information. The Truth in Brokering Act requires certain information when a vehicle owned by a licensed dealer is being purchased or leased through a licensed broker by someone who is not a licensed dealer. In addition to information required in Chapter 2, Section 2-2, the broker's Police Book must include the following information:

- a) The business name and Michigan dealer license number of the selling dealer; and,
- b) The amount of any and all fees, commissions, compensation, and other valuable consideration received by the broker either from the lessor, purchaser/lessee or from the licensed dealer.

The selling Class A or B dealer's Police Book must include:

- a) The business name and Michigan broker license number of the broker; and,
- b) The amount of any and all fees, commissions, compensation, and/or other valuable consideration paid by the dealer to the broker.

The selling Class A or B dealer must enter the broker's business name and license number in the Remarks section of the RD-108.

6-9.3 Other Records. In addition to the Police Book, a broker is required to maintain the following records:

- a) RD-108s when the broker applies for title and registration;
- b) 15-day temporary registrations, when issued;
- c) Purchase agreements; and
- d) Broker fee agreement when the broker charges a fee or accepts a deposit and is required to prepare such a document before the fee or deposit is paid. See Section 6-10 for additional information regarding broker fee agreements.

6-9.4 Length of Retention. Brokers are required to maintain for five years copies of all purchase agreements, bills of sale and other documents related to negotiated transactions. Copies of RD-108s must be kept for at least five years. It is recommended that copies of both the front and back of the assigned title be retained.

Section 6-10

BROKER FEE AGREEMENT

When a broker charges a fee or accepts a deposit, the broker prepares a written document setting forth the following information:

- a) The amount of the fee;
- b) When, in what manner, and under what circumstances the fee is payable;
- c) The amount of any deposit required in advance, and under what circumstances the deposit or any portion shall be refunded;
- d) The time for which the broker's services are contracted;
- e) Any other terms agreed upon by the broker and the person paying the fee or deposit;
- f) The document is signed by both the broker and the person paying the fee or deposit. A copy is given to the person paying the fee or deposit at the time of signing. A copy is also retained by the broker.

Section 6-11

PURCHASE AGREEMENT

6-11.1 Requirement. When a broker negotiates the sale or lease of a vehicle, the broker must prepare a purchase agreement. (Negotiating a sale or lease includes situations where communication regarding the sale or lease is conducted through the broker rather than directly between the buyer and seller or the lessor and lessee.) The purchase agreement is in addition to any other documents required by law to be executed between the buyer and seller. The broker, the buyer and the seller, or the lessor and lessee all sign the purchase agreement. The broker must keep copies of purchase agreements for five years.

6-11.2 Date on Purchase Agreement. The purchase agreement is dated no later than the date the vehicle is delivered to the buyer. Copies of the agreement are provided to the buyer and seller at the time of signing.

6-11.3 Forms. The purchase agreement does not replace other required forms and documents (RD-108, broker's fee agreement, Police Book, etc.). Auctions may combine the broker's fee agreement and purchase agreement. Purchase agreement forms may be submitted in advance to the Dealer Program Section for approval. Purchase agreement forms should be pre-printed and must contain:

- a) A description of the vehicle including the following:
 - 1) Make;
 - 2) Model year;
 - 3) Vehicle Identification Number;

- 4) Body style;
- 5) Dealer- and factory-installed accessories;
- b) The name, address, and Michigan vehicle dealer license number of the dealer who is selling, purchasing, or leasing the vehicle;
- c) Name and address of the seller or lessor;
- d) Name, address, and Michigan vehicle dealer license number of the broker;
- e) Name and address of the buyer or lessee;
- f) Date of delivery;
- g) Odometer reading;
- h) Total price, or – in the case of a lease – the gross capitalized cost; and,
- i) Down payment, or – in the case of a lease – the capitalized cost reduction, if any;
- j) Statement signed by the broker certifying that the terms of all vehicle warranties have been disclosed to the buyer or lessee;
- k) A statement signed by the broker, disclosing the names of all parties to the transaction whom the broker represents; and,
- l) Signatures of buyer or lessee; seller or lessor; and licensed broker, or the authorized representatives of all parties to the transaction.

Brokers may disclose additional information on the purchase agreement.

Section 6-12

ADVERTISING

Brokers who advertise their services must disclose their status as brokers.

Section 6-13

ELECTRONIC RECORD REQUIREMENT

The Department of State requires licensed Michigan brokers to submit their records in an electronic format. This applies only to records of vehicles sold at retail by a licensed dealer where a broker is involved in the transaction.

For additional information on how to submit the records, contact the Dealer Program Section at 517/373-9082.

CHAPTER 7

RD-108 – APPLICATION FOR TITLE AND REGISTRATION

Section 7-1

REPORTING RETAIL SALES

7-1.1 Authorization. Section 206 of the *Michigan Vehicle Code* (MCL 257.206) authorizes the Michigan Department of State to establish reporting requirements for motor vehicle title/registration applications. The RD-108 is the approved form and is available from several sources which are listed in Appendix B.

7-1.2 Making Application. The RD-108 form is a combined tax collection, vehicle title/registration application, and statement of vehicle sale. Each RD-108 must be typed and completed in full.

Section 7-2

SUBMITTING THE RD-108

7-2.1 Payment Options. Only business checks written by the dealer will be accepted. However, Class A, B, and D dealers may choose to pay for their transactions by means of Electronic Funds Transfer (EFT), instead of writing checks for each transaction.

Dealers may sign up for EFT by requesting an application from the Office of Quality Assurance, Program Procedures Section, at 517/241-6865, or by requesting an application by fax (telephone the Michigan Department of State Fax-on-Demand at 517/335-4FAX and request item number 420). To receive an application by fax, dealers must use a touch-tone telephone and have a fax machine to receive the document. Applications are also available at Secretary of State branch offices.

7-2.2 Requirements. When selling a vehicle, the dealer is required to submit the RD-108 to the Secretary of State, and to acquire or transfer a license plate for the purchaser, within 15 days of the delivery date.

- a) **Late Fee.** A \$15 late fee is added when the dealer does not submit the RD-108 within 15 days of delivery. To compute whether the late fee is due, add 15 days to the date of delivery in the upper-left corner of the RD-108. If the 15th day is a Saturday, Sunday or holiday, the deadline for submitting the RD-108 without the late fee is the next State of Michigan business day.

- b) Processing Time.** Secretary of State branch offices typically process RD-108s within 48 hours after receipt. Dealers should drop off RD-108s and pick them up as advised by Secretary of State branch office staff. Up to three RD-108s can be processed if the dealer's representative waits in line.

NOTE: The RD-108 form contains a purchase date and a delivery date in the upper left corner. The dealer should make certain that the delivery date is the actual date the vehicle was delivered.

Section 7-3

CHECKLIST

When completing an RD-108, double-checking the following information can minimize errors and returns for correction (see sample RD-108 at end of this chapter).

a) Left Column:

- 1) Purchase date – Enter the date the vehicle is purchased (paperwork signed, etc.);
- 2) Delivery date – Enter the date the customer actually takes delivery of the vehicle;
- 3) Dealer Information – This must be complete, including dealer number and Michigan sales tax number;

NOTE: If the dealership operates under a d/b/a, use the d/b/a in this section.

- 4) Vehicle Sold – Check New, Used, or Demo;
- 5) Trade-in – All boxes must be completed if there is a trade-in vehicle;
- 6) Temporary Vehicle Registration – Complete the temporary registration box when transferring a license plate to a newly purchased vehicle;
- 7) Special Use Box – Check one of the boxes, if applicable;
- 8) Odometer Mileage Statement – Enter the vehicle mileage at the time of sale. Check one box: “Actual Mileage,” “Not Actual Mileage,” or “Exceeds Mechanical Limits of Odometer” (i.e., numbers on odometer “rolled over”);
- 9) Remarks – Use when additional information is required, such as name changes, relationship on family license plate transfers, tax computation on in-transit sales, federal excise tax on large trucks, lease tax number, sales tax exemption claim statements, etc.;
- 10) Contractual Disclosure Statement for Used Vehicles Only – This box is optional. Dealers must disclose this language to their customers to comply with the federal window sticker or buyer's guide requirements, but may use a separate form to provide disclosure.

- 11) Dealer's Signature – Sign and print job title (e.g., owner, agent, etc.);
- 12) Purchaser's/Owner's Signature(s) – All persons shown as purchasers must date and sign the RD-108. The date will typically match the purchase date.

b) Right Column:

- 1) Plate Number – For transfers, enter customer's current plate number; for new plate, leave blank;
- 2) Expires On – For transfers, enter the current plate's expiration date; for new plate, enter the computed expiration date, including the four digit year (e.g. 2001, 2002, etc.). See the plate expiration chart at the end of this chapter.
- 3) Months – If buying a new plate, enter the number of months the plate is valid. If transferring a plate, leave blank;
- 4) New Plate, Renewal, or Transfer – Check as appropriate;
- 5) Year, Make, Body Style, and Vehicle Number – Enter from MCO, electronic inventory record or previous title. Accuracy is essential. See Section 7-4.19 in this chapter.
- 6) Weight or Fee Category – The proper weight or fee category for vehicles can be determined as follows:
 - i) For new vehicles, determine the category by using booklet MV-118, *Michigan License Plate Fees and Base Prices*, or by using the MSRP;
 - ii) For used vehicles, determine the category by using booklet MV-118, *Michigan License Plate Fees and Base Prices*, or by using a previous title;
- 7) Owner's Driver License or Personal ID Number(s) – Dealers must identify all owners and submit this information for all owners. Always required. For a business, enter "C". For an out-of-state driver license, enter "OOS";
- 8) County of Residence – Must be correct for the purchaser's address;
- 9) Owner's or Lessor's Complete Name(s) and Address – Enter name from driver license and current address as completed by the purchaser;
- 10) Lessee's Complete Name(s) and Address – In case of lease vehicles, enter complete names and addresses of all lessees;
- 11) Insurance Company – Enter the company name (not agency name) and policy number. Verify proof of Michigan no-fault insurance for new plates and renewals. Fax or photocopies are acceptable. It may be necessary to contact the insurance agency to verify the insurance;
- 12) First Secured Interest – Show name and complete address (or enter "NONE");
- 13) Second Secured Interest – Use only if applicable;

14) Bill of Sale – The RD-108 satisfies the requirement that dealers must execute a written statement setting forth the terms of the sale to the buyer. The purchaser must be given a photocopy of the RD-108 at the time of signing. The RD-108 is approved by the Secretary of State and the Michigan Department of Treasury. General instructions for the Bill of Sale follow:

- i)** Furnish all information as requested on form RD-108. The information provided must verify the purchase price of the vehicle shown on line number 1 (right column).
- ii)** If the sale is tax-exempt, state the reason for the exemption in the Remarks section on the left. If purchased for resale or lease, also include the buyer's sales tax license or use tax registration number.
- iii)** Authorized discounts are exempt from sales tax only when the discount is given to the purchaser at the time of sale and when shown on the invoice, the sales order, the dealer records, and the RD-108. If a bona fide discount is given, the word "discount" and its dollar amount must be stated in the Remarks section of the RD-108.
- iv)** Line 1. The purchase price of a vehicle includes the factory-installed accessories and the freight, and the dealer-installed accessories.

Labor charges for dealer-installed *optional* accessories do not have to be included in the purchase price, provided a work order becomes part of the seller's records and the labor charges show on line 5 of the RD-108. Required accessories are not tax-exempt.

- v)** Line 2. An entry must be made on line 2 whenever taxable charges (e.g., document fees, service fees, etc.) are a part of the gross sale. "Other taxable charges" may include waxing or undercoating a motor vehicle, service cards or certificates, and other services whenever these services or certificates are *non-optional*. The \$1.00 temporary registration should be entered on this line, if charged. See Section 7-4.3 for information on document fees.
- vi)** Line 5. "Non-Taxable Charges" includes all exempt charges on optional purchases or services, federal excise tax, etc. Labor and service charged on optional purchases must be supported by work orders.
- vii)** No deduction from the selling price can be taken from a trade-in vehicle.
- viii)** Permission for self-supply of the RD-108: dealers who are interested may have printed, personalized forms showing the dealer's name, address, and city. These must be printed on paper of the same weight, colors, and size. These also must display printing of the same size type, same order, and same spacing. The title of the RD-108 shall not be eliminated or obscured.

- 15) Temporary Registration Number – Enter the control number from the BSF-4, if one is issued;
- 16) Salesperson – Not required by the Secretary of State;
- 17) Temporary Permit Fee Charged – If dealer has charged \$1.00 fee for temporary registration please check box “Yes”, otherwise check box “No”. Enter \$1.00 fee on line 2 of the bill of sale;
- 18) Code – Enter the appropriate license plate code:
- | | | | |
|-----------------|--------|-----------------|--------|
| Passenger..... | Code 1 | Commercial..... | Code 3 |
| Motorcycle..... | Code 2 | Trailer..... | Code 4 |
- 19) County – Enter the 2-digit county code (listed at the end of booklet MV118, *Michigan License Plate Fees and Base Prices*, and at the end of this chapter);
- 20) License Fee – For a new plate, enter the computed fee;
- 21) Title – Enter the title fee;
- 22) Title Late Fee – Enter the \$15.00 title late fee, if applicable. The 15-day period is calculated from the delivery date (see Section 7-3, Item 2);
- 23) Tax – Enter the 6% sales tax (line 3 x .06). If exempt, explain in the Remarks section;
- 24) Transfer Fee – Enter the \$8.00 fee if license plate is transferred. A transfer fee is not charged if the plate is also being renewed;
- 25) Total – This figure should match the amount of the check;
- 26) Full Rights to Survivor – When there is joint ownership, check the appropriate box.

Section 7-4

SPECIAL INSTRUCTIONS FOR RD-108s

7-4.1 Body Style. Body styles used by the Michigan Department of State are listed in this chapter; see Table 2, *Standard Body Styles for Michigan Title and Registration*. Add the following descriptions in the body style box of the RD-108 for certain vehicles, and check the appropriate special use box, as listed below:

- a) Vehicle used by law enforcement: “Police”;
- b) Vehicle used as a taxi cab: “Taxi”;
- c) Vehicle used by a unit of government (state, county, city, school district, etc.): “Municipal”;
- d) All recertified salvage vehicles: “R”.

7-4.2 Fee Category or Weight. Except for a few types of vehicles, such as incomplete vehicles, either the fee category or weight must be shown on all RD-108s.

NOTE: Refer to booklet MV-118, Michigan License Plate Fees and Base Prices, available from Secretary of State branch offices.

- a) **1984 or Newer.** The ad valorem fee category (base price) is used for 1984 and later model passenger vehicles, and for 1984 and later model pickup trucks and vans which weigh 5,000 pounds or less. Other vehicles use empty weight, while larger trucks usually use elected gross vehicle weight (GVW). See Table 1 below.

Table 1
Vehicle Fees Based on Value and Weight

	Passenger Vehicles	Privately-owned Pickups & Vans	Company-owned Pickups & Vans	Trucks Other than Pickups & Vans
84 and Newer	Base Price	Base Price (weight if over 5,000 lbs.)	Base Price (weight if over 5,000 lbs.)	Weight
83 and Older	Weight	Weight	Weight	Weight

- b) **Fee Category.** Base prices are represented by fee categories. Fee categories are in \$1000 increments. If the base price of the vehicle is between \$1 and \$9,999, the fee category is a single-digit number (1-9). If the base price is between \$10,000 and \$99,999, the fee category is a two-digit number (10-99). If the base price is \$100,000 or more, the fee category is a three-digit number. For example:

Base Price:

Fee Category:

\$9,971.....	9
\$22,550.....	22
\$116,230.....	116

- c) **No Base Price.** If no base price is established for the vehicle (motor homes and buses, either new or used), use the full purchase price of the vehicle (line 1 on the RD-108), converting it to a fee category.
- d) **Ownership Change.** If a dealer sells a 1984 or later pickup or van with a weight showing on the title, the weight is no longer used. The vehicle is converted to a fee category. Find the vehicle's base price in the Michigan Department of State's booklet MV-118, *Michigan License Plate Fees and Base Prices*, and enter it in the "Wt. or Fee Cat." box on the RD-108.

7-4.3 Document Fees. Dealers may charge up to \$40 to cover the cost of document preparation. The document fee is taxable and is entered on line 2 of the RD-108. The Division of Financial Institutions has determined that dealers may charge or not charge the document fee to particular classes of customers. For example, General Motors Corporation does not allow dealers to charge its employees the document fee when they purchase GM products on the employee preference plan. The selling dealer may exempt GM employees as a class and charge the fee to all other customers. The only stipulation is that all customers within a class must be treated the same.

7-4.4 Commercial Plate on Passenger Vehicle. On occasion, the purchaser of a new or used passenger vehicle may wish to obtain a commercial plate for the vehicle. In this case, calculate the plate fee based both by value and weight. The higher of the two fees is due. Enter the fee category or weight, whichever yields the higher fee, on the RD-108.

7-4.5 Van Conversions. For van conversions, since the van was a *completed* vehicle before it was modified (customized), use the base price established by the manufacturer. This applies even though the retail price of the customized van is much greater.

7-4.6 Motor Homes. For new motor homes, the base price is determined from the price of the *completed* vehicle. Since there is usually no base price, the ad valorem fee category is determined from the purchase price shown on line 1 of the RD-108. For used motor homes from another state, use the current purchase price shown on line 1 of the RD-108.

7-4.7 Name Information on the RD-108. Enter the full name of the vehicle owner(s) as it appears on the owner's driver license. Do not include professional titles. Do not use "Care of" or "c/o". A business may show a file or claim number after its name. Use "and" to connect two owner's names, not "or". See also Section 7-4.10, "Leased Vehicles."

7-4.8 "Doing Business As" for a Solely-owned Business. A person who solely owns a *business* may show both his/her name and the business name on the title. This procedure does not apply to a partnership, corporation or association. On the RD-108 show "Owner's Name d/b/a Business' Name." The "d/b/a" refers to "doing business as."

Vehicles titled in a business name should not also show an individual name unless there is dual ownership (which is rare), in which case the two names are connected by "and". In this case, two owner signatures are required. If a business wants the title mailed to the attention of an individual, form TR-114, *Special Mailing of Certificate of Title*, should be used rather than showing the individual's name on the title.

7-4.9 Address. The RD-108 must show the location of the applicant's residence or the business address. Individuals may use a post office box number in addition to the street address, but not by itself. A business may use a post office box number by itself. If used, an apartment number, lot number, or post office box number should follow the street address. Use the zip code associated with the post office box number.

7-4.10 Leased Vehicles. The name and address of both the lessor and the lessee are required. The driver license or personal ID number for all lessees is also required. Separate boxes are provided in the right column of the RD-108. The lessor (vehicle owner) must also have a Michigan tax registration number. If not, tax is due. Either party may transfer a license plate to or from the vehicle.

NOTE: Even though the RD-108 provides separate boxes for lessor and lessee, the lessor should complete form TR-114, Special Mailing of Certificate of Title, to ensure that the title is mailed to the lessor's address.

7-4.11 Secured Party. The dealer is responsible for recording a lien on the RD-108. If a lien was intended to be shown and was not, the dealer – not the Secretary of State branch office – must make all necessary corrections by retrieving the RD-108. If it is not retrieved by the day it is processed, it is too late. The dealer must then retrieve the new title from the customer and apply for a corrected title.

7-4.12 Lien Terminations. Class A and B vehicle dealers are not required to submit lien termination statements with RD-108s.

7-4.13 Errors. Depending on the error on the MCO or title, the person who made the error should complete and sign a *Certification*, form TR-34, to explain the error. A single line should be drawn through the incorrect information. Do not use “white-out” or correction tape. Do not erase any information.

7-4.14 Odometer Disclosure with RD-108s. Vehicle dealers must complete the odometer statement on all conforming titles and MCOs transferred to a purchaser or another dealer unless the vehicle is exempt. The odometer mileage must also be typed on the RD-108.

- a) **Exempted Vehicles.** An odometer statement is not required for the following vehicles:
 - 1) Vehicles with a GVW rating of 16,000 pounds or more;
 - 2) Vehicles which are not self-propelled (trailer, etc.);
 - 3) Vehicles 10 model years old or older. These are determined using the following formula: current calendar year minus 10 = first model year a vehicle is exempt;
 - 4) Transfer of a new vehicle from the manufacturer to a dealer.
- b) **Odometer Reading.** Do not use tenths of a mile. Provide the vehicle’s odometer reading and declare which of the following statements describes the mileage:
 - 1) Actual Mileage;
 - 2) Not Actual Mileage; or
 - 3) Mileage Exceeds Mechanical Limits (numbers on the odometer have rolled over).
- c) **Older Michigan Titles.** The older 4” by 9” Michigan titles do not have a conforming odometer statement. Therefore, when assigning one of these titles, a dealer must complete a separate odometer statement. See Chapter 4, Sections 4-3 and 4-4 for information.
- d) **Out-of-state Titles.** With out-of-state titles, a separate odometer statement is required if the title does not contain a conforming odometer statement See Chapter 4, Sections 4-3 and 4-4.5 for information.

- e) **Michigan Conforming Titles.** All newer 7" x 8" or 8½" x 11" Michigan titles contain conforming odometer statements. A separate odometer statement is not used. See Chapter 4, Section 4-3.
- f) **Separate Odometer Statements.** When a separate odometer statement is required, submit the original copy with the RD-108.
- g) **Dealer's Responsibility.** It is a dealer's responsibility to determine which MCOs and out-of-state titles have conforming odometer statements. If more information is needed, contact the Dealer Program Section at 517/373-9082.

7-4.15 Special Mailer (Form TR-114). Michigan titles are mailed to the owner unless the owner directs otherwise. Complete form TR-114, *Special Mailing of Certificate of Title*, when the owner requests that the title be sent to another party.

7-4.16 Manufacturer's Certificate of Origin (MCO). An MCO is required when a new automobile, motor home, truck, or motorcycle is titled.

- a) **Procedure.** The MCO is assigned on the back. Each reassignment must be completed in full. If all reassignments are used, the dealer may request a reassignment form from the manufacturer. The odometer statement on the MCO must be completed with each reassignment.
- b) **Paperless MCO.** An RD-108 is accepted without an MCO for new Chevrolet, Buick, Pontiac, Oldsmobile, Cadillac, Saturn, GMC truck, Chrysler, Plymouth, Dodge, Jeep-Eagle, Mercedes-Benz, Ford, Lincoln, and Mercury vehicles. The following points may be helpful to remember:
 - 1) Since there is no paper MCO, a dealer must submit a separate odometer statement with the RD-108;
 - 2) If the vehicle is an incomplete vehicle, manufacturers must supply paper MCOs. These must be submitted with the completed RD-108 to the dealer's Secretary of State branch office;
 - 3) For in-transit sales, the dealer must request an MCO from the manufacturer and give it directly to the purchaser. The purchaser will need the MCO in his/her home state. For these vehicles, the Secretary of State branch office does not need the MCO. See Chapter 3, Section 3-9 for more information on in-transit permits;
 - 4) This program only involves Michigan dealers. Individuals purchasing a new vehicle from an out-of-state dealer must present an assigned MCO at the Secretary of State branch office.

7-4.17 Cab and Chassis MCO – Vehicle Incomplete. Dealerships may sometimes sell a cab and chassis unit without a body. The MCO for these vehicles shows “Incomplete”, “Cab and Chassis,” or “Cutaway Van.” The vehicle may be titled but not registered.

- a) When selling an incomplete vehicle, enter “Incomplete” on form RD-108 for the body style. No weight or fee category is shown. Submit the cab and chassis MCO. No plate or permit can be issued. A dealer plate can be used to deliver the vehicle. The vehicle can also be towed or trailered;
- b) The purchaser’s new title will read “Not Eligible for Plate – Safety Inspection Required.” To register the vehicle, the owner must complete the vehicle, have it inspected using form TR-54, *Vehicle Number and On-Road Equipment Inspection*, and apply for a corrected title.

7-4.18 Cab and Chassis MCO – Vehicle Complete. Some dealers will add a body unit to an incomplete vehicle to make it a van, stake truck, tank truck, or utility vehicle. This completes the vehicle. When selling a completed vehicle, the dealer must submit with the RD-108 either the invoice (a copy is acceptable) for the body unit or form TR-54, *Vehicle Number and On-Road Equipment Inspection* (both parts must be completed by a law enforcement officer). For tractors, a certification stating a fifth wheel was added may be used in place of an invoice. The cab and chassis MCO must also be submitted.

7-4.19 Two-stage Vehicles. Two-stage vehicles involve two manufacturers and MCOs.

- a) The first-stage manufacturer provides the cab and chassis unit with an MCO (Ford, Dodge, GMC, etc.). That MCO shows “Incomplete”, “Cab and Chassis,” “Cutaway”, etc. The VIN is from the frame of the first-stage manufacturer.
- b) The second-stage manufacturer completes the vehicle by adding a body or other components (e.g., motor home, ambulance, school bus). The second-stage manufacturer provides an MCO for the completed vehicle. Submit both MCOs when a two-stage vehicle is sold. The year, make, and body style are from the second-stage manufacturer.
- c) For motor homes, the RD-108 must contain a description of any major component part which has its own MCO. For example, a 2001 Champion motor home on a 2000 Dodge chassis.

7-4.20 Standard Body Styles for Michigan Title and Registration.

Table 2
Standard Body Styles for Michigan Title and Registration

Body Style	Includes		
2-Door	Hardtop	Coupe	
4-Door	Sedan	Limousine	Hardtop Sedan
Ambulance			
Bus	Motor vehicle designed for carrying more than 15 passengers.		
Convertible			
Dump	Dumpster-Hoist	Dump Box	
Hearse			
Incomplete	Cab and Chassis (title only, no plate allowed)		
Low-Speed Vehicle	Electric-powered vehicle with a top speed not exceeding 35 mph.		
Mixer	Cement Truck	Feed Grinder	Transit Mixer
Motor Home	Vehicle constructed or altered to provide living quarters including permanently installed cooking and sleeping facilities and used for recreation, camping or other non-commercial use.		
Motorcycle	Motor vehicle with not more than 3 wheels in contact with the ground which is not a moped.		
Panel	Sedan Delivery		
Pickup	A light duty truck with a low-sided open body (e.g., Sport-Trac).		
Roadster	Dune Buggy		
Stake	Box	Glass Rack	Rack
	Canopy	Grain	Cattle Rack
	Pallet	Log Bunk	Tilt Bed
	Flat Bed	Platform	
Station Wagon	Vehicle which has one or more seats behind the driver and 2 or more windows on each side (e.g., mini-vans, SUVs, etc.).		
Tank	Water Spreader	Sprayer	Asphalt Spreader
	Bulk Pumper	Gas Truck	Sludge Truck
	Tank Fire Truck	Oiler	
Tractor	Truck Tractor	Road Tractor	Semi Tractor
Trailer	All trailers except Trailer Coach		
Trailer Coach	Coach	Camper	Travel Trailer

Body Style	Includes		
	Pop-Up Camper	Camping Trailer	
Utility	Boom Truck	Journeyman	Tool
	Cable Reel	Service	Tire Body
	Camera	Gas Service	Tree Mover
	Winch	Hi-Ranger	Crane
	Tree Trimmer	Splicer	Armored Car
	Trouble Rig	Tower Truck	Well Driller
	Ladder Truck	Line	
Van	Bakery	Walk-In	Beverage
	Milk	Refrigerator	Cargo
	Parcel Delivery	Package Delivery	Step Van
Wrecker	Tow Truck	Flatbed Wrecker	Platform Wrecker

Section 7-5

REGISTRATION

NOTE: Refer to the license plate fee charts found in the booklet MV-118, Michigan License Plate Fees and Base Prices. This booklet is available from Secretary of State branch offices.

7-5.1 Dealer Responsibility. When a dealer sells a vehicle, Michigan law requires that the dealer apply for registration on behalf of the purchaser within 15 days of delivery. It is the dealer's responsibility to purchase or transfer a plate for the customer within this time using the RD-108 title application.

7-5.2 Exceptions – Title Only Sales. Dealers may sell a vehicle at retail and process the transaction as "title only" (no registration) if the sale is:

- a) **Title Only – No Registration – Vehicle Inoperable.** This means the vehicle cannot be driven. The vehicle must be towed or trailered from the dealership. The dealer must enter "Vehicle Inoperable" in the Remarks section of the RD-108 and indicate how the vehicle was removed from the lot.
- b) **Title Only – No Registration – Customer's Request.** This means the customer requests no registration. The dealer must also enter the method of delivery: "Vehicle Towed," "Vehicle Trailered," or "Vehicle Delivered on Dealer Plate";
- c) **Title Only – No Registration – Registration Denial.** See Section 7-7.4 for more information on registration denial; or,
- d) **Salvage.** Salvage vehicles are not eligible for registration.

NOTE: In all other cases, dealers must apply for title and registration. Proof of insurance is required. Dealers should never allow vehicles to be removed unless they are properly insured, registered, towed, hauled by a trailer or driven with a dealer plate.

7-5.3 New License Plate. If the customer does not own a current plate in his/her name to transfer to the vehicle being purchased, a new plate must be purchased. To accomplish this, the dealer does the following:

- a) Determine the expiration date for the new plate; and,
- b) Determine the plate fee.

7-5.4 New License Plates – Expiration Date. License plates have different expiration dates, depending on ownership and body style:

- a) For privately-owned passenger vehicles, motor homes, pickups, and vans, the license plate expires on the owner's birthday. For all other types of trucks owned by an individual (stake, utility, etc.), plate expiration is on the last day of February;
- b) For company-owned passenger vehicles, plate expiration is on the first of any month or, if used commercially (such as a taxi), on the last day of February;
- c) For company-owned trucks, expiration is the last day of February.

7-5.5 New License Plates – Prorating Months. The fees for new plates which expire on the owner's birthday and for company-owned passenger vehicles are prorated for the number of months until expiration. Use the vehicle delivery date as the base date. The vehicle delivery date is the date in the upper left corner of the RD-108.

- a) When counting months, count both the month of delivery and the month the plate will expire. The minimum number of months a plate is sold for is 6. If the expiration month is 5 months away or less, 12 months are added. Thus, plates are valid between 6 and 17 months;
- b) A prorating chart is provided in booklet MV-118, *Michigan License Plate Fees and Base Prices*. Under the heading "Plate Sold During Month Of," find the vehicle delivery date. Across from this and under the column showing the owner's birth-month is the number of prorated months. For "Plate Sold During Month Of", use the Month of Delivery. See Section 7-3, Item 2;
- c) Fees for company-owned trucks are not prorated. The plates expire on the last day of February. They are always sold for the full 12-month fee unless the vehicle qualifies for a half-year plate.

7-5.6 New License Plates – Determining Fees. To determine a new license plate fee:

- a) First determine the plate's expiration date and the number of months a fee will be charged. See the information above for prorating number of months;

- b) Then use the vehicle registration chart in booklet MV-118, *Michigan License Plate Fees and Base Prices*, to determine whether the plate fee is based on vehicle weight or vehicle value (base price).
- c) Finally, find the plate fee from the appropriate plate fee charts, as outlined below:
 - 1) Ad valorem (value) fees;
 - 2) Weight fees for 1983 and earlier models; or,
 - 3) GVW fees.

NOTE: For a vehicle registered by value, use the vehicle's base price. These are listed in the Secretary of State's booklet MV-118, Michigan License Plate Fees and Base Prices. The base price is the MSRP (Manufacturer's Suggested Retail Price) shown at the top of the vehicle's window sticker before any options, taxes, delivery charges, or destination charges are added.

7-5.7 Using the Ad Valorem or Value (Base Price) Plate Fee Charts. The ad valorem registration system registers vehicle by value (base price). The ad valorem fee charts in booklet MV-118, *Michigan License Plate Fees and Base Prices*, summarize which vehicles use base price for their plate fee.

- a) **Value Categories.** On the left side of the chart are the value categories. The first category is \$0 to \$5,999. The remaining categories are in \$1,000 increments from \$6,000 to \$99,999;
 - 1) On the right side are the number of months a plate is prorated (from 6 to 17);
 - 2) Then there is the level of the fee. "Level" refers to the level of depreciation of the plate fee. The plate fee is reduced as the vehicle gets older;
 - 3) The "0" level is used for all new (untitled) vehicles and current model year used vehicles;
 - 4) The "1" level is used for 1-year-old used vehicles;
 - 5) The "2" level is used for 2-year-old used vehicles;
 - 6) The "3" level is used for 3-year-old and older used vehicles.
- b) **Determining Plate Level.** The formula to use to determine plate level is: Current calendar year minus vehicle model year = plate level.

Examples:

During 2002, a 2001 *used* vehicle receives a plate at the "1" level (2002 - 2001 = 1).

During 2002, a new (untitled) 2001 vehicle receives a plate at the "0" level. All new vehicles, regardless of age, use the "0" level.

- c) **Determining Plate Fee with Base Price.** To find the plate fee for a vehicle registered by base price:
- 1) Determine the plate's expiration date (see Section 7-5.4);
 - 2) If prorated, prorate the number of months (see Section 7-5.5);
 - 3) Determine the fee category (see Section 7-5.6);
 - 4) Determine the plate fee level (see Section 7-5.7); locate the plate fee from the ad valorem fee chart.
- d) **Prorated GVW Plate Option – 3 to 11 Months.** Most GVW plates are issued for 3, 6, or 12 months. These are shown in the fee chart for GVW plates in booklet MV-118, *Michigan License Plate Fees and Base Prices*. However, an owner may request a GVW plate for 4, 5, 7, 8, 9, 10, or 11 months. The expiration date will be 3 to 11 months from the date of issue from the Secretary of State branch office. There is a \$10 service fee added to the plate fee. To calculate a prorated GVW fee for 4, 5, 7, 8, 9, 10, or 11 months:
- 1) Find the 12-month GVW fee;
 - 2) Subtract \$5 from the 12-month fee and divide by 12. This is the fee per month;
 - 3) Multiply the fee per month by the number of months requested. Round this amount to the nearest dollar. Add \$5, and then add the \$10 service fee.

7-5.8 Farm Plates. All farm vehicles used on-road, other than implements of husbandry, must be titled and registered. If the customer wants a farm plate for a truck, there are three types. These are described below as Options 1, 2 and 3.

- a) **Option 1: \$20 Special Farm Plate.** To qualify for this plate, the farm vehicle must be a truck (including pickup or van) or road tractor. It must be used **exclusively** for one or more of the following:
- 1) Transporting farm crops or livestock bedding between the field where produced and the place of storage. A grain elevator is considered a place of storage. "Livestock bedding" means straw, sawdust, or sand.
 - 2) Transporting fertilizer, seed, or spray material from the farm to the field.
 - 3) Transporting feed from on-farm storage to an on-farm feeding site. "Feed" means hay or silage.

The truck cannot be used for any other purpose, including transportation of crops for compensation (commonly called "custom work"). This plate is ordered through the Secretary of State branch office. The owner will receive the plate in the mail within 10 days;

- b) Option 2: Farm Plate Rate of 74¢ per 100 Pounds Plus \$5.** Any farm truck or truck tractor can qualify for this reduced rate license plate. The truck must be used exclusively in connection with the farming operation and can also be used for the transportation of the farmer and the farmer's family. *The truck cannot be used for hire.* The farm can be operated by an individual, company, or corporation. The fee is based on the empty weight of the truck. Use the fee chart for farm trucks in booklet MV-118, *Michigan License Plate Fees and Base Prices*.

A tree nursery, landscaping service, or greenhouse may choose this special farm rate for a truck used exclusively in its farming operations. The farm truck can be used to transport farm products from the farm, field or greenhouse (the harvest location) to a wholesale or retail outlet. The truck cannot be used for delivery from the sales lot or store.

- 1) Fees and expiration dates are determined as follows:

Pickups and Vans Owned by an Individual	Plate expires on the farmer's birthday (prorated fee)
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- 2) To prorate this fee, find the 12-month weight fee for the pickup truck or van using the fee chart for farm trucks. Subtract \$5 from the fee shown and then divide it by 12 (do not round). Multiply this amount by the number of months to the farmer's birthday. Round this amount to the nearest whole dollar. As a final step, add \$5. There is no service fee.

Pickups and Vans Owned by a Business and All Other Farm Trucks	Plate expires on February 28 (if over 6,050 lbs., the truck is eligible for a partial year plate – see below); Use the farm plate fee chart.
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- c) Farm Trucks over 6,050 lbs.** The farmer may choose:

- 1) A full-year plate expiring February 28. Use the farm plate fee chart. There is no service fee;
- 2) A plate expiring six months from the date issued. Use the farm plate fee chart and add the \$10 service fee; or,
- 3) A special prorated farm plate sold for 3 to 12 months. See Option 3.

- d) Option 3: Prorated Farm Plate.** A farmer (individual or business) may buy a prorated farm plate under Option 3 for any number of months from 3 to 12. The empty weight of the truck must be over 6,050 pounds to qualify. There is a \$10 service fee.

NOTE: When prorating this fee, the law requires the farmer to pay 1/10 the full-year farm fee for each month desired (divide the full-year fee by 10 instead of 12).

To calculate this fee for 3 to 12 months:

- 1) Find the 12-month weight fee for the truck using the fee chart for farm trucks. The empty weight must be over 6,050 pounds to qualify.

- 2) Subtract \$5 from the 12-month fee and then divide by 10. This is the fee per month (do not round).
- 3) Multiply the fee-per-month by the number of months requested. Round to the nearest dollar. Add \$5 and then add the \$10 service fee.

7-5.9 License Plate Transfers. When a dealer sells a vehicle, the purchaser may elect to transfer a license plate to the newly-acquired vehicle. In certain other situations, a license plate may be transferred. Guidelines for plate transfers are listed below.

a) Plate transfers are permitted in the following situations:

- 1) When the plate owner acquires another vehicle;
- 2) When a vehicle is being titled in two names, and one of the new owners has a plate to transfer;
- 3) When a vehicle is being titled in one name, and the purchaser has a plate showing dual ownership;
- 4) When there is a trade-in from a family member. The purchaser may use the plate from the trade-in. Explain the relationship in the Remarks section;

NOTE: For plate transfers, family is defined as the owner's spouse, father, mother, brother, sister, child, stepparent, stepchild, stepbrother, stepsister, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, grandparent, grandchild, or a legally appointed guardian. It does not include aunts, uncles, cousins, nieces, and nephews.

- 5) To or from *solely-owned* companies;
- 6) A lessee may transfer his/her own plate to a vehicle being leased;
- 7) When plate ownership remains the same but the owner's name is legally changed. Explain the name change in the Remarks section.

b) Plate transfers are not permitted in the following situations:

- 1) Between family members without a trade-in;
- 2) On 3-month to 6-month, 6-month to full-year, and vice versa;
- 3) On family-owned company vehicles when there is more than one owner, unless the registration shows joint ownership;
- 4) When a corporation, company, association or partnership is being formed, reorganized, or dissolved;
- 5) Between a corporation and its subsidiaries.

NOTE: Some transfer of ownership situations must be evaluated by the Secretary of State on a case-by-case basis to determine whether the plate can be transferred or not.

7-5.10 Change of Plate Classification. An owner may transfer his/her license plate to another vehicle with a different body style classification. In most cases, this involves transferring a passenger plate to a pickup or van, or vice versa. Credit is given for the time remaining on the previous registration, and a new plate corresponding to the body style of the new vehicle is issued. The old plate does not have to be turned in, either to the dealer or to the Secretary of State. If the plate is turned in to the dealership, it should be destroyed immediately.

In some cases, an added weight fee is due with a change of classification. In addition, the expiration date will change with certain changes of body style. Added fees are determined using either Method 1, under which the license plate expiration date remains the same, or Method 2, under which the expiration date is changed to either February 28 or March 31.

- a) Method 1 – The license plate expiration date remains the same;
- b) Method 2 – Change the license plate expiration date to February 28 for trucks or March 31 for motorcycles.

7-5.11 License Plate Transfer Procedures. After determining that a plate may be transferred, use the following procedures:

- a) The previous registration should be submitted. If it is not available, verify the registration information by contacting your designated branch office;
- b) On the RD-108 form, do the following:
 - 1) Enter the plate number and its expiration date. The expiration date (month and day) is changed when a plate with a birthday or first of the month expiration date is transferred to a vehicle requiring a fixed expiration date (February 28 or March 31);
 - 2) Determine whether an added fee is due. Use the charts on the following pages. An added fee is entered in the “License Fee” box;
 - 3) Enter the \$8 transfer fee (unless the plate is being both transferred and renewed – then only the renewal fee is due);
 - 4) The number of months box is left blank (unless the plate is also being renewed, then enter “12”).

7-5.12 Added Fees. For most plate transfers, an added fee will not be due. An added fee is due in the following situations:

- a) When a license plate for a vehicle registered in one classification is transferred to a vehicle in a different classification (motorcycle to passenger car, etc.);
- b) When a commercial plate is transferred to another commercial vehicle which weighs more;
- c) When a plate from a passenger car is transferred to a motor home.

NOTE: There is no added fee when a license plate is transferred from a passenger car, pickup, or van owned by an individual to another passenger car, pickup, or van owned by the same individual. The pickup or van must weigh 5,000 pounds or less.

7-5.13 Transfer of Individual's Passenger Plate:

a) \$8 Transfer Fee Only – No Added Fee:

- 1) Passenger Car to Passenger Car;
- 2) Passenger Car to Pickup or Van weighing 5,000 lbs. or less;
- 3) Motor Home to Motor Home;
- 4) Motor Home to Passenger Car;
- 5) Motor Home to Pickup or Van weighing 5,000 lbs. or less.

b) \$8 Transfer Fee Plus Any Added Fee:

- 1) Passenger Car to Motor Home – Method 1;
- 2) Passenger Car to Pickup or Van weighing over 5,000 lbs. – Method 1;
- 3) Passenger Car to any other Full-year Commercial Vehicle – Method 2;
- 4) Passenger Car to any vehicle with d/b/a (doing business as) – Method 2;
- 5) Passenger Car to Motorcycle – Method 2;
- 6) Passenger Car to Trailer – Method 1.

7-5.14 Transfer of Passenger Plate Owned by a Company or Corporation:

a) \$8 Transfer Fee Only – No Added Fee:

- 1) Passenger Car to Passenger Car;
- 2) Motor Home to Motor Home;
- 3) Motor Home to Passenger Car.

b) \$8 Transfer Fee Plus Any Added Fee:

- 1) Passenger Car to Motor Home – Method 1;
- 2) Passenger Car to any Pickup or Van (regardless of weight) – Method 2;
- 3) Passenger Car to Full-year Commercial – Method 2;
- 4) Passenger Car to Motorcycle – Method 2;
- 5) Passenger Car to Trailer – Method 2.

7-5.15 Transfer of Pickup or Van Plate Owned by an Individual:**a) \$8 Transfer Fee Only – No Added Fee:**

- 1) Pickup or Van weighing 5,000 lbs. or less to Pickup or Van weighing 5,000 lbs. or less;
- 2) Pickup or Van weighing 5,000 lbs. or less to Passenger Car;
- 3) Pickup or Van weighing 5,000 lbs. or less to Motor Home;
- 4) Pickup or Van weighing over 5,000 lbs. to Pickup or Van weighing 5,000 lbs. or less.

b) \$8 Transfer Fee Plus Any Added Fee:

- 1) Pickup or Van weighing 5,000 lbs. or less to Pickup or Van weighing over 5,000 lbs. – Method 1;
- 2) Pickup or Van weighing 5,000 lbs. or less to Company or Corporation Pickup or Van – Method 2;
- 3) Pickup or Van weighing 5,000 lbs. or less to any other Full-year Commercial – Method 2;
- 4) Pickup or Van weighing 5,000 lbs. or less to Motorcycle – Method 2;
- 5) Pickup or Van weighing over 5,000 lbs. to Pickup or Van over 5,000 lbs. – Method 1;
- 6) Pickup or Van weighing over 5,000 lbs. to Passenger Car – Method 1;
- 7) Pickup or Van weighing over 5,000 lbs. to Motor Home – Method 1;
- 8) Pickup or Van over weighing 5,000 lbs. to Motorcycle – Method 2;
- 9) Pickup or Van over weighing 5,000 lbs. to any other Full-year Commercial – Method 2.

7-5.16 Transfer of Full-year Commercial Plate:**a) \$8 Transfer Fee Plus Any Added Fee:**

- 1) Commercial to any Passenger Car – Method 1;
- 2) Commercial to any Pickup or Van – Method 1;
- 3) Commercial to Motorcycle – Method 2;
- 4) Commercial to any other Full-year Commercial – Method 1;
- 5) Commercial to any Trailer – Method 1.

7-5.17 Transfer of Company-owned or Corporation-owned Trailer Plate:**a) \$8 Transfer Fee Plus Any Added Fee:**

- 1) Trailer to any Passenger Car – Method 1;
- 2) Trailer to any Pickup or Van – Method 1;
- 3) Trailer to any Full-year Commercial – Method 1;
- 4) Trailer to Motorcycle – Method 2;
- 5) Trailer to Trailer – Method 1.

7-5.18 Transfer of Individual's Trailer Plate:**a) \$8 Transfer Fee Plus Any Added Fee:**

- 1) Trailer to any Passenger Car – Method 1;
- 2) Trailer to any Pickup or Van – Method 1;
- 3) Trailer to any Full-year Commercial – Method 2;
- 4) Trailer to Motorcycle – Method 2;
- 5) Trailer to Trailer – Method 1;

7-5.19 Transfer of Three-month or Six-month GVW Plate:**a) \$8 Transfer Fee Plus Added Fee if Weight Increased:**

- 1) Three-month GVW to Three-month GVW – Method 1 (no other transfers permitted);
- 2) Six-month Commercial to Six-month Commercial – Method 1 (no other transfers permitted).

b) License Plate Transfer with Replacement Plate. If an owner has a valid registration to transfer but has lost the plate, the registration can still be transferred. An additional \$5 is due for a replacement plate. Enter \$5 in the License Fee box and note "Replacement Plate Needed" in the Remarks section.

c) Computing Added Fees – Method 1 – No Change of Expiration Date. This method of computing added fees is used for:

- 1) Birthday to Birthday (no change of expiration date is allowed);
- 2) First of Month to the same First of Month;
- 3) Fixed Date to the same Fixed Date.

Step 1 – Locate the 12-month fee for the "old" vehicle using the value or weight fee chart;

Step 2 – Locate the 12-month fee for the “new” vehicle using the plate fee chart;

Step 3 – Subtract “1” from “2” to find the difference. Do not round off;

Step 4 – Divide the difference in fees as determined in Step 3 by 12. Do not round off to the nearest cent (save this total for Step 6);

Step 5 – Determine the number of months remaining to the expiration date. Count both the present month and the month of expiration. When the present month and the month of expiration are the same, allow only a one-month credit;

Step 6 – Multiply the difference in fees (Step 4) by the number of months remaining (Step 5). This is the added fee due. Round off to the nearest cent.

NOTE: There is no refund of fees if the old vehicle credit is greater than the new vehicle fee.

Method 1 Example: Today’s Date: *May 29*

Old Vehicle:.....	Stake Truck	New Vehicle:.....	Tank Truck
Expiration:.....	February 28	Expiration:.....	February 28
Weight:.....	4,755	Weight:.....	32,000 GVW
12-Month Fee:.....	\$111	12-Month Fee:.....	\$649

Step 1 – Old vehicle 12-month fee = \$111;

Step 2 – New vehicle 12-month fee = \$649;

Step 3 – Difference: \$649 - \$111 = \$538;

Step 4 – Divide difference: $\$538 \div 12 = \44.833 ;

Step 5 – Months remaining: 10 (May through February);

Step 6 – $10 \times \$44.833 = \448.33 (added fee due).

d) Computing Added Fees – Method 2 – Change of Expiration Date. This method of computing added fees is used when the license plate expiration date must be changed. This method is required for:

- 1) Birthday transferred to Fixed Date (February 28 or March 31);
- 2) First of Month transferred to a Fixed Date (February 28 or March 31);
- 3) Fixed Date transferred to a different Fixed Date (February 28 to March 31, March 31 to February 28).

NOTE: The difference between Method 1 and Method 2 is there are two computations of the number of months remaining rather than one.

Method 2 – Determining the Old Vehicle Credit:

Step 1 – Locate the 12-month fee for the “old” vehicle using the value or weight fee chart;

Step 2 – Divide this “old” vehicle fee by 12. It is not necessary to round off to the nearest cent;

Step 3 – Determine the number of months remaining to the “old” vehicle expiration date. Count both the present month and the month of expiration. When the present month and the month of expiration are the same, allow only a one-month credit;

Step 4 – Multiply the fee-per-month (Step 2) times the number of months remaining (Step 3). This is the credit for the “old” vehicle and is used again in Step 9. Round off to the nearest cent.

Method 2 – Determining the New Vehicle Credit:

Step 5 – Locate the 12-month fee for the “new” vehicle using the value or weight fee chart;

Step 6 – Divide this “new” vehicle fee by 12. It is not necessary to round off to the nearest cent;

Step 7 – Determine the number of months remaining to the “new” vehicle expiration date. Count both the present month and the month of expiration. When the present month and the month of expiration are the same, count them as one month, not two;

Step 8 – Multiply the fee-per-month (Step 6) times the number of months remaining (Step 7). Round off to the nearest cent. This “new” vehicle fee is used in Step 9;

Step 9 – Subtract the “old” vehicle credit established in Step 4 from the “new” vehicle fee established in Step 8. This is the added fee due.

Method 2 Example: Today’s Date: *August 8*

Old Vehicle:.....	Pickup	New Vehicle:.....	Stake Truck
Expiration:.....	November 15	Expiration:.....	February 28
Weight:.....	5,260	Weight:.....	28,000 GVW
12-Month Fee:.....	\$122	12-Month Fee:.....	\$558

Old Vehicle:

Step 1 – Old vehicle 12-month fee = \$122;

Step 2 – $\$122 \div 12$ (months) = \$10.16 (fee-per-month);

Step 3 – Months remaining: 4 (August through November);

Step 4 – $\$10.16 \times 4 = \40.64 (credit).

New Vehicle:

Step 5 – New Vehicle 12-month fee = \$558;

Step 6 – $\$558 \div 12$ (months) = \$46.50;

Step 7 – Months remaining: 7 (August through February);

Step 8 – $\$46.50 \times 7 = \325.50 (new vehicle plate fee);

Added Fee:

Step 9 – $\$325.50$ (Step 8) - $\$40.64$ (Step 4) = \$284.86 (added fee due)

- e) **International Registration Plan.** Michigan is a member of the International Registration Plan (IRP) and issues “apportioned” plates. These are plates where the registration fee is collected by one state and then distributed, on an apportioned basis, to all of the states through which the commercial vehicle will be traveling. Special IRP plates are required for certain trucks that engage in interstate operations (see below). A regular commercial plate or GVW plate cannot be used. If a dealer sells one of these trucks to a purchaser who will be driving interstate (outside of Michigan), the purchaser must contact the IRP Unit in Lansing to acquire the IRP plate. A dealer’s local Secretary of State branch office is not involved. The IRP Unit’s address is as follows:

Michigan Department of State
IRP Unit
P.O. Box 30029
Lansing, MI 48909-7529

Location: Secretary of State Office
Building
State Secondary Complex
7064 Crowner Drive
Lansing, MI

Telephone: 517/322-1097

Vehicles which must have IRP plates are those used to transport passengers for hire or designed and used for the transportation of property and meet one or more of the following criteria:

- 1) Have a gross vehicle weight of 26,000 pounds or more; or,
- 2) Have three or more axles, regardless of weight; or,
- 3) Are used in combination and the total weight exceeds 26,000 pounds.

Any specific questions regarding IRP plates should be directed to the IRP Unit.

Section 7-6

TAX SECTION

7-6.1 Taxable Dealer Services and Other Charges Appearing on RD-108. Some dealer services may be taxable. See Chapter 8, Sales Tax, for more information.

- a) The following vehicle-related sales charges or deductions are taxable. Enter the total on line 2 of the RD-108.
 - 1) Manufacturer's rebate;
 - 2) Document preparation fee. Maximum fee is \$40 (see Section 7-4.3); and,
 - 3) Preparation charges.
- b) The following items are taxable if they are not optional and must be purchased with the vehicle. If purchased as an add-on option (separate charge), no tax is due (list on line 5 of the RD-108):
 - 1) Manufacturer's extended warranty (purchased by customer); and,
 - 2) Rustproofing, fabric, or paint protection.

7-6.2 Dealer Rebates and Discounts. Rebates and discounts offered by the dealership (not the manufacturer) are not included in the purchase price. Tax is not due.

7-6.3 Dealer Titles. If a vehicle is titled in the name of the dealership, the transaction is always taxable unless a resale or lease title is obtained.

7-6.4 Farm Trucks. Farm trucks used exclusively on the farm may be tax-exempt. No plate is issued. See Chapter 8 for more information.

7-6.5 Federal Excise Tax on RD-108 for New Truck Purchases. If a dealer sells a new truck which has a gross vehicle weight rating over 33,000 pounds, the RD-108 should reflect that the 12% federal excise tax is included in the truck purchase price.

On line 5 of the RD-108 (Labor or Other Non-Tax Charges), enter the 12% federal excise tax. The Secretary of State branch office does *not* collect the excise tax. The dealer pays the excise tax directly to the U.S. Internal Revenue Service.

NOTE: This 12% excise tax is not included in the total price upon which Michigan sales tax is paid, provided the excise tax is separately stated. (The truck owner does not pay Michigan sales tax on federal excise tax.)

7-6.6 Gifts and Prizes. A vehicle awarded as a gift or prize is taxable.

7-6.7 Government Vehicles. Government-owned vehicles, including ambulances and fire trucks, are tax-exempt.

7-6.8 Native American Indian Tribes and Members. See Section 8-5.12 in Chapter 8, Sales Tax, for information.

7-6.9 In-transit Permits. In most cases when a dealer is selling a vehicle to a nonresident who will be taking it to his/her home state for titling and registration, tax is due with the 14-day in-transit permit. See Chapter 8, Section 8-4, for more information on in-transit permits and tax reciprocity.

7-6.10 Leased Vehicles. Any down payment (capitalized cost reduction) received on a leased vehicle is considered the first lease payment and is subject to use tax, not sales tax. Use tax may not be remitted on the RD-108. See Chapter 8 for more information.

A dealer acting on behalf of a leasing company may collect the use tax and remit it on the dealer's monthly sales, use, and withholding tax return. Indicate the lessor's use tax registration number and a statement "for lease" in the Remarks section of the RD-108. The RD-108 may then be processed without a tax payment.

Questions about leasing vehicles or sales tax refunds should be directed to the Michigan Department of Treasury, Sales, Use, and Withholding Taxes Division, at 517/373-3190.

7-6.11 Leased Vehicles – Tax Status and 14-Day In-transit Permits. When a dealer delivers a vehicle to a leasing company, the transaction is tax-exempt if the leasing company's Michigan tax registration number is shown on the RD-108. These leasing companies can apply for a 14-day in-transit permit. If the leasing company does not have a Michigan tax registration number, the vehicle is subject to Michigan sales tax when delivery is taken here.

7-6.12 Manufacturer Rebates. Tax is due on manufacturer rebates. The amount of the rebate cannot be deducted from the vehicle purchase price before computing sales tax. This rule applies even when credit is given at the time of sale and the owner will not receive a rebate check in the mail.

7-6.13 Nonprofit Organizations. Vehicles acquired by certain nonprofit organizations, institutions or agencies may be tax-exempt. This includes nonprofit schools, hospitals, and homes for children or the elderly. Organizations such as Girl Scouts and Boy Scouts and social and fraternal organizations such as Lions Club, Kiwanis Club, Rotary International, etc., may be tax-exempt.

- a) To qualify for the tax exemption, the following conditions must be met:
 - 1) Form C-3136, Letter of Exempt Determination, or the organization's letter of exemption from the IRS, indicating it is exempt as a 501(c)(3) or 501(c)(4) organization, must be submitted. This applies to all nonprofit organizations other than a nonprofit school, nonprofit hospital, or government agency. Keep this form in the dealer's file of the vehicle sale.
 - 2) The vehicle must be titled in the name of the nonprofit agency; and,
 - 3) The vehicle must be used exclusively for public service (no personal use).

- b) **Vehicles Used for Religious Purposes:** Churches and houses of worship are taxed on vehicle purchases except for vans and buses with a manufacturer's rated seating capacity of 10 or more passengers. Some religious organizations qualify for a tax exemption on the purchase of a school bus titled in the name of the school. For questions regarding the necessary qualifications, please contact the Michigan Department of Treasury, Sales, Use, and Withholding Taxes Division, at 517/373-3190.

NOTE: Federal law prohibits a dealer from selling or leasing to public, private, or parochial schools a new vehicle that carries 11 or more persons and is likely to be significantly used to transport students to or from school and school-related events unless the vehicle meets the National Highway Traffic Safety Administration standards applicable to school busses.

7-6.14 Out-of-state Delivery. The Michigan Department of Treasury and the Michigan Automobile Dealers Association have developed a system for dealers to make tax-exempt "export sales." See Chapter 8, Section 8-5.15, for more information.

Section 7-7

REPEAT OFFENDER PROGRAM (REGISTRATION DENIAL)

7-7.1 Repeat Offender Program. The Repeat Offender program is a series of laws which provide increased penalties for persons with alcohol-related offenses and persons driving while their driver license is suspended. The laws not only increase the sanctions against these drivers, but also impose penalties against the offender's vehicle in the form of plate confiscation, vehicle immobilization, registration denial, or installation of ignition interlock devices.

7-7.2 Definition. A "repeat offender" is a driver who is arrested (not convicted) for either of the following:

- a) Their second (or more) drunk driving violation; or,
- b) Their third (or more) driving while their license is under a mandatory suspension or revocation.

NOTE: This definition identifies a repeat offender. For information on thresholds that affect registration of vehicles, see Section 7-7.4.

7-7.3 Selling Vehicles to Repeat Offenders. Dealers may legally sell vehicles to repeat offenders. However, a person who attempts to purchase or lease a vehicle during a period of registration denial is guilty of a misdemeanor (MCL 257.233).

7-7.4 Registration Denial. Effective June 1, 2000, the Secretary of State began to notify persons who are subject to registration denial that no vehicle which a repeat offender owns, co-owns, leases, or co-leases will be registered or plated. Registration denial applies only to those repeat offenders with 3 or more alcohol-related convictions or 4 or more violations of driving while their license is under a mandatory suspension or revocation, and their driver license is currently suspended or revoked. These transactions can only be processed as "title-only" by the Secretary of State branch office. Dealers must return registration and plate fees to the customer.

7-7.5 Registration Status Web Site. The Department of State has developed an Internet site for use by dealers in determining registration status of potential vehicle purchasers. This site may be accessed at www.michigan.gov/sos by clicking on “Services to Businesses.” It provides information using either a Michigan driver license number or Michigan personal ID card number. Department of State staff cannot check registration status over the telephone.

7-7.6 Plate Transfers. Repeat offenders may not transfer any temporary paper plates issued by law enforcement (commonly referred to as a 904C permit) to another vehicle. This is not to be confused with the BFS-4 temporary permit that is issued by dealers.

7-7.7 Purchasing Vehicles from Repeat Offenders. Repeat offenders may sell vehicles to dealerships if the dealership is not owned by an immediate family member (i.e., spouse, mother, father, brother, sister, children, stepparent, stepchildren, stepbrother, stepsister, grandparent, grandchildren, legal ward, or legally-appointed guardian) of the repeat offender.

7-7.8 Ignition Interlock. Dealers should not purchase or accept as trade-in a vehicle with an ignition interlock device still installed. The ignition interlock device is merely rented. It is the driver’s responsibility (not the dealer’s) to have the ignition interlock provider remove the device from the vehicle. After the device has been removed, the dealer may purchase the vehicle or accept it as a trade-in.

7-7.9 Dealer Plates. Metal dealer plates are not subject to plate confiscation under the repeat offender law. However, BFS-4 15-day temporary permits issued by dealers are subject to confiscation under the repeat offender law.

7-7.10 Dealership Employees Who Are Repeat Offenders. The Department of State offers a subscription service which provides employers with employee driving records. After an account has been established by the dealer, the department provides a copy of each employee’s driving record at least once every 12 months. The employer is also automatically notified any time the department receives information indicating a driver has received a moving violation, suspension, restriction, or revocation. The service costs \$6.55 per year for each employee being monitored and then \$6.55 for any update that is sent because of changes to the driver’s record. You may contact the Secretary of State Record Look-Up Unit at 517/322-1624 for forms and information.

7-7.11 Paper Plates. If police arrest a driver for their second (or more) drunk-driving offense, or their third (or more) driving while license suspended offense, the law enforcement officer will confiscate the vehicle’s metal plate and issue a paper plate. The metal plate will be confiscated even if the driver is not the owner of the vehicle. The paper plate stays with the vehicle until the allegations are adjudicated by a court or until the vehicle is sold to a non-family member or traded in. The paper plate has the same expiration date as the confiscated metal plate.

7-7.12 Acquiring and Selling a Vehicle with a Paper Plate. Dealers acquiring a vehicle with a paper plate may remove the paper plate and operate the vehicle with dealer plates. If the dealer sells the vehicle, a new registration (new metal plate) should be applied for on behalf of the purchaser, or the purchaser may transfer his/her existing plate to the vehicle.

Table 3**LEASED VEHICLE/TYPE OF FEE AND EXPIRATION DATES**

Use the following guidelines for leased vehicles:

Type of Vehicle:	Lessee:	Plate Type:	Expires on:	Type of Fee:
Passenger car or motor home	Lessee is an individual	Passenger	Lessee's birthday	Prorated ad valorem
Passenger car or motor home	Lessee is a business	Passenger	April 1 (or the first of any month).	Prorated ad valorem
Passenger car or motor home	Lessee is an individual using the vehicle commercially	Commercial	Lessee's birthday	Compute both fees (prorated ad valorem and weight). Use whichever is greater
Passenger car or motor home	Lessee is a business using the vehicle commercially	Commercial	February 28	Compute both fees (prorated ad valorem and weight). Use whichever is greater
Pickup truck or van	Lessee is an individual	Commercial	Lessee's birthday	Prorated ad valorem. If over 5,000 lbs., use weight.
Pickup truck or van	Lessee is a business	Commercial	February 28	Ad valorem (no proration). If over 5,000 lbs., use weight.
All other commercial vehicles	Lessee is an individual or a business	Commercial	February 28	Weight (no proration).

Note: Leased vehicles with a birthday expiration are eligible for special plates (personalized, ARO, veteran, special organization, etc.).

Table 4
Vehicle Registrations

Vehicle Type and Owned by	Plate Series Used	Expiration Date	How and When Original Plate is Sold	Plate Can be Renewed
Passenger vehicle owned by an individual not used commercially	Passenger	Owner's birthday	1984 or later model – prorated by ad valorem. 1983 or earlier model – prorated by weight.	45 days ahead or with TR-3. 6 months ahead with reason.
Passenger vehicle owned by an individual used commercially	Regular commercial	Owner's birthday	1984 or later model – ad valorem or commercial weight, whichever is higher. 1983 or earlier model – prorated by weight.	45 days ahead or with TR-3. 6 months ahead with reason.
Passenger vehicle owned by a business not used commercially. Includes rental cars	Passenger	April 1 or the first of any month	1984 or later model – prorated by ad valorem. 1983 or earlier model – prorated by weight.	120 days ahead or with TR-3.
Passenger vehicle owned by a business used commercially	Regular commercial	Feb. 28 (Or could go six months, see below)	Sold on Oct. 1 for 12-month fee. Half-fee on Sept. 1. 1984 or later model – ad valorem or commercial weight, whichever is higher. 1983 or earlier model – 12-month weight fee.	Oct. 1
Motorcycle owned by individual	Motorcycle	Owner's birthday	Sold anytime. \$23 fee is prorated for original.	45 days ahead or with TR-3. 6 months ahead with reason.
Motorcycle owned by company	Motorcycle	April 1	Sold anytime. \$23 flat fee.	120 days ahead or with TR-3.
Pickup truck or van 5,000 lbs. or less owned by an individual	Passenger (Or commercial if used commercially)	Owner's birthday	1984 or later model – prorated by ad valorem. 1983 or earlier model – prorated by empty weight.	45 days ahead or with TR-3. 6 months ahead with reason.
Pickup truck or van over 5,000 lbs. owned by an individual	Passenger (or commercial if used commercially; may go GVW)	Owner's birthday	Prorated by empty weight (no ad valorem fees).	45 days ahead or with TR-3. 6 months ahead with reason.
Pickup truck or van 5,000 lbs. or less owned by a business	Regular commercial	Feb. 28 (Or could go six months, see below)	Sold on Oct. 1 for 12-month fee. Half-fee on Sept. 1. 1984 or later model – ad valorem. 1983 or earlier model – empty weight.	Oct. 1
Pickup truck or van over 5,000 lbs. owned by a business	Regular commercial (could go GVW)	Feb. 28 (Or could go six months, see below)	Sold on Oct. 1 for 12-month fee. Half-fee on Sept. 1. Use empty weight fee for trucks over 5,000 lbs.	Oct. 1
All other commercial vehicles including GVW 12-month fee	Regular commercial or GVW plate	Feb. 28	Sold on Oct. 1 for 12-month fee. Half-fee on Sept. 1. Weight fees only.	Oct. 1
6-month fee	Regular commercial or GVW plate	6 months from date of issue	Sold anytime. To qualify, 12-month fee must be \$50 or more. \$10 service fee due.	45 days ahead (reuse plate)
3-month GVW fee	GVW plate only	3 months from date of issue	Sold anytime. Must be a GVW fee. Collect 3-month GVW fee plus \$10 service fee.	45 days ahead (reuse plate)
Trailer or trailer coach owned by an individual or a business	Trailer	Non-expiring	Sold anytime. Fee based on empty weight.	None (non-expiring permanent plate)

Revised 4/4/05

STATE OF MICHIGAN

APPLICATION FOR MICHIGAN TITLE & REGISTRATION
STATEMENT OF VEHICLE SALE

DEPARTMENT OF STATE

Purchase Date

Invoice/Stock No.

Delivery Date

Invoice/Stock No.

Dealer

Address

City

County

State

Zip Code

Dealer License

Sales Tax License

Phone Number

Vehicle Sold

New

Used

Demo

Trade-In

Yes

No

Trade-In Year

Make

Vehicle No.

TEMPORARY VEHICLE REGISTRATION
USED TO TRANSFER PLATES
Expires 15 days after delivery date

Plate transferred from: Year Make

Vehicle No. Plate No. Temp. Expiration Date

VEHICLE USE AND HISTORY DISCLOSURE:

POLICE VEHICLE

VEHICLE HAS BEEN FLOOD-DAMAGED

GOVERNMENT VEHICLE

SALVAGE TITLE HAS PREVIOUSLY BEEN ISSUED

TAXI

ODOMETER MILEAGE

The following section must be completed when odometer disclosure is required. The odometer mileage reading must match the mileage reading disclosed to the purchaser on the title and/or mileage statement.

NO TENTHS

actual mileage

not actual mileage

exceeds mechanical limits of odometer

Factory Installed Accessories

Factory List Affixed To Vehicle

Dealer Installed Accessories

When Optional to Purchaser

REMARKS:

CONTRACTUAL DISCLOSURE STATEMENT FOR USED VEHICLES ONLY

The information you see on the window form for this vehicle is part of this contract. Information on the window form overrides any contrary provisions in the contract of sale.

I CERTIFY I SOLD THIS VEHICLE TO THE PURCHASER NAMED IN THIS FORM. I WARRANT THE TITLE TO THE VEHICLE AND CERTIFY THAT THE VEHICLE IS SUBJECT ONLY TO THE SECURITY INTERESTS NAMED ABOVE.

Dealer's Signature

Title

Expires On
Month Day Year Months

NEW PLATE

RENEWAL

TRANSFER

Year Make Body Style Code County

Vehicle No. Fee Category/Weight License Fee

Driver License No./PIDs of All Owners or Lessees Title

1) 3)

2) County of Residence Title Late Fee

Complete Names and Addresses of All Owners or Lessors Tax

Reg. Transfer Fee

Total - Transfer to #4

Complete Names and Addresses of All Lessees Full Rights to Survivor

Yes No

Insurance Company Policy No. or Binder No.

First Secured Interest

Filing Date

Address

City-State Zip

Second Secured Interest

Filing Date

Address

City-State Zip

1. PURCHASE PRICE OF VEHICLE (Including Freight & Accessories)

2. OTHER TAXABLE CHARGES (Documentary Fee, Service Fee, Temp. Reg. Fee, Etc.)

3. TOTAL TAXABLE PRICE

4. (Above total) SALES TAX - LICENSE - TITLE

5. NON-TAXABLE CHARGES (Labor, Service Contract, Etc.)

6. TOTAL DELIVERED PRICE

7. CASH ON DEPOSIT

8. CASH DUE ON DELIVERY

9. TRADE-IN \$

10. LESS LIEN \$

11. TOTAL DOWN PAYMENT

12. UNPAID BALANCE TO BE FINANCED

13. INSURANCE CHARGE*

14. TOTAL AMOUNT OF FINANCE CONTRACT

*TYPE OF INSURANCE

WARNING: This insurance is not PL/PD No Fault Insurance required by Michigan Law.

CREDIT LIFE

HEALTH & ACCIDENT

GAP INSURANCE

Temporary Registration No.

Temporary Fee Charged Yes No

Salesperson

PURCHASER WARNING: DO NOT SIGN BLANK FORM

I am purchasing or leasing this vehicle and am applying for a Michigan certificate of title and registration or, if the lessee, applying for a registration. I certify my driver license is not suspended, revoked, or denied as a repeat offender and I am eligible to purchase or register this vehicle. I further certify that if a tax exemption is shown above it is valid.

Date X

Date X

Date X

Purchaser's/Lessor's Signature(s)

Date X

Date X

Lessee's Signature(s)

COUNTY CODES FOR THE STATE OF MICHIGAN

<u>COUNTY</u>	<u>NO.</u>	<u>COUNTY</u>	<u>NO.</u>	<u>COUNTY</u>	<u>NO.</u>
Alcona	01	Hillsdale	30	Montcalm	59
Alger	02	Houghton	31	Montmorency	60
Allegan	03	Huron	32	Muskegon	61
Alpena	04	Ingham	33	Newaygo	62
Antrim	05	Ionia	34	Oakland	63
Arenac	06	Iosco	35	Oceana	64
Baraga	07	Iron	36	Ogemaw	65
Barry	08	Isabella	37	Ontonagon	66
Bay	09	Jackson	38	Osceola	67
Benzie	10	Kalamazoo	39	Oscoda	68
Berrien	11	Kalkaska	40	Otsego	69
Branch	12	Kent	41	Ottawa	70
Calhoun	13	Keweenaw	42	Presque Isle	71
Cass	14	Lake	43	Roscommon	72
Charlevoix	15	Lapeer	44	Saginaw	73
Cheboygan	16	Leelanau	45	St. Clair	74
Chippewa	17	Lenawee	46	St. Joseph	75
Clare	18	Livingston	47	Sanilac	76
Clinton	19	Luce	48	Schoolcraft	77
Crawford	20	Mackinac	49	Shiawassee	78
Delta	21	Macomb	50	Tuscola	79
Dickinson	22	Manistee	51	Van Buren	80
Eaton	23	Marquette	52	Washtenaw	81
Emmet	24	Mason	53	Wayne	82
Genesee	25	Mecosta	54	Wexford	83
Gladwin	26	Menominee	55	Foreign	84
Gogebic	27	Midland	56		
Grand Traverse	28	Missaukee	57		
Gratiot	29	Monroe	58		

CHAPTER 8

SALES TAX

Section 8-1

REQUIREMENT

8-1.1 Authorization. Section 205.52 of the *General Sales Tax Act* (MCL 205.52) authorizes the collection of sales tax on the purchase of vehicles.

8-1.2 Collection of Sales Tax. Michigan sales tax is collected on the retail sale of new and used vehicles by licensed dealers at the time of sale. Dealers must have a sales tax license issued by the Michigan Department of Treasury. After collecting sales tax, dealers submit the tax to the Secretary of State with their RD-108 title applications.

8-1.3 Tax Rate. When sales tax is due, the amount levied is 6% of the full purchase price of the unit. To compute the tax, multiply the full purchase price times .06. Round off to the penny.

Section 8-2

FULL PURCHASE PRICE

8-2.1 Definition. Purchase price includes the full amount paid to the dealer without any deduction for a trade-in. Tax is due on the full purchase price. If there is a lease penalty for early termination rolled into the purchase price of the vehicle, that charge is also subject to tax.

8-2.2 Payment. Compensation for the full purchase price may be in any of the following forms:

- a) Money;
- b) Credit;
- c) Services rendered;
- d) Trades;
- e) Anything of value.

Section 8-3

EXEMPTIONS

8-3.1 Ambulances, Community-Based. Refer to “Fire Trucks” (see Section 8-3.12).

8-3.2 Brokers. In the sale of a vehicle, brokers bring together a buyer and seller. Vehicle brokers cannot title a unit in their name or the name of their business.

8-3.3 Charitable Organizations. Refer to “Nonprofit Organizations” (Section 8-5.9).

8-3.4 Churches. See “Religious Groups” (Section 8-5.14).

8-3.5 Credit Unions – Federal. Vehicles titled in the name of a *federal* credit union are tax-exempt. To qualify, the federal credit union’s name must end with the uninterrupted words “Federal Credit Union.” If any other words appear between the words “Federal Credit Union,” the credit union is not a federal credit union, and its vehicles are taxable.

8-3.6 Dealers – Out-of-state Dealer Buys a Vehicle from Michigan Dealer. Tax is not due when an out-of-state dealer acquires a vehicle from a Michigan dealer for resale outside of Michigan. In its Police Book, the Michigan dealer enters the out-of-state dealer’s sales tax number and dealer number issued by the dealer’s home state. This transaction is not eligible for a 14-day in-transit permit.

8-3.7 Dealers – Resale Titles, Lease Vehicles, Rentals, Demos. Dealers always use their RD-108 when titling a vehicle in the name of the dealership. Sales tax is always due except in the following instances:

- a) When the dealer applies for a resale title; or,
- b) When a dealer will be leasing a vehicle. There is no such thing as a so-called tax-exempt number for sales tax or use tax purposes. In a lease situation, where the dealer titles this vehicle in the name of their leasing company, the dealer has an option of how to remit the tax. They are not exempt from tax. They may remit tax up front for the total purchase price shown on the RD-108; or, on the monthly rental receipts, if applicable. The dealer should enter their use tax registration number and the statement “For Lease” in the Remarks section of the RD-108; or,
- c) When the dealer is titling a vehicle to be used for rental purposes (usually by customers having their cars serviced), the dealer must enter the dealer’s sales tax license number and the statement “For Rent” in the Remarks section of the RD-108; or,
- d) When the dealer titles a demonstrator vehicle.

Dealers may hold the vehicles they have for resale or transfer them to another dealership without collecting tax. Removing a vehicle from inventory for use other than testing or demonstration requires titling and sales tax. If needed, the dealer may apply for a resale title in the name of the dealership. Tax is not due until the unit is sold at retail.

8-3.8 Demonstrator Vehicles. A demonstrator is a motor vehicle used for testing and demonstration. New vehicles titled as a demonstrator are tax-exempt until sold at retail. A dealer is limited in the number of vehicles which may be titled or used as tax-exempt demonstrators. The number is based on the dealer’s volume of new vehicle sales in a calendar year, as in the following table:

Table 1
Demonstrators Based on Volume

New Units Sold per Calendar Year	Tax-exempt Demos Allowed per Calendar Year
0 - 25	2 Vehicles
26 - 100	7 Vehicles
101 - 500	20 Vehicles
501+	25 Vehicles (maximum)

A demo vehicle that is carried over from one year to a new year counts as a tax-free demo for that new year, subject to the above limits.

8-3.9 Foreign Diplomats. A diplomat is a person who is appointed to represent his/her government in relations with another country. Foreign diplomats assigned to the United States and their family members are exempt from sales tax on the purchase of large items including vehicles and watercraft. The diplomat and family members cannot take outside employment.

- a) **Tax Exemption Card.** The U.S. Department of State, Office of Foreign Missions, issues tax exemption cards to foreign diplomats and consular personnel in the U.S. To qualify for tax exemption, a diplomat must present this card upon titling a vehicle. Record the card's tax number and expiration date on the RD-108 and enter "Tax-exempt – Diplomat" in the Remarks section.
- b) **License Plates.** The Michigan Department of State does not issue license plates to diplomats. Refer all inquiries to the diplomat's embassy. The foreign embassy will contact the U.S. Department of State, Office of Foreign Missions, Diplomatic Motor Vehicle Office, Washington, D.C. 20520. Telephone: 202/895-3521.

8-3.10 "Doing Business As" for a Solely-Owned Business. A person who solely owns a business may show both his/her name and the business name as a d/b/a on the title. This procedure does not apply to a partnership, corporation, limited liability company, or association.

Example:

Paul Hudon d/b/a Paul's Classic Good Deals
1234 S. Huron Avenue
Anywhere, MI 48000

8-3.11 Farmers. Most farm vehicles are subject to sales tax. If a farm truck or trailer is ever used on-road, even for traveling from farm to farm, a license plate is required, and tax is due.

- a) **Exclusive Farm Operation.** If the farm truck is used exclusively on the farm (it is never operated off the immediate location of the farm), a tax exemption may be claimed. The transaction would be a title-only transaction. This farm truck is not eligible for any type of plate (even a farm plate) or permit until tax is paid.

In addition to completing the RD-108 title application, have the farmer complete a certification stating this farm truck will not be operated off his/her farm until tax is paid and the vehicle is properly licensed. Enter the statement “FARM TRUCK – NOT ELIGIBLE FOR PLATE UNTIL TAX IS PAID” in the Remarks section of the RD-108.

8-3.12 Fire Trucks and Ambulances. Local government units are exempt from sales tax on the purchase of an ambulance or fire-fighting equipment. A community-based nonprofit corporation is also exempt. The ambulance or fire truck must be titled in the nonprofit entity’s name. Write “Tax-exempt – Community Service” in the Remarks section of the RD-108.

8-3.13 Houses of Worship. Sales and Use tax is due on vehicles acquired by churches and houses of worship, except for vans and buses with a manufacturer’s rated seating capacity of 10 or more passengers, and used to transport passengers for church functions. See Section 8-5.14.

Section 8-4

IN-TRANSIT PERMITS AND “EXPORT SALES”

8-4.1 Authorization. The 14-day in-transit permit allows a nonresident purchaser of a vehicle to drive a newly purchased vehicle to his/her home state where it will be titled and registered. By law, only one in-transit permit may be issued for any vehicle. Lease companies with a Michigan tax registration number are eligible to receive 14-day in-transit permits.

NOTE: Dealers should process a 14-day in-transit permit for all out-of-state transactions (except for salvage-titled or scrap-titled vehicles) regardless of the customer’s method of transporting the vehicle to the other state. States having sales tax reciprocity agreements with the State of Michigan have agreed to give tax credits on in-transit deliveries. Without the in-transit permit, the customer’s home state could require tax to be paid again.

Additionally, the in-transit permit provides a record with the State. This record can be used to issue a replacement title if the ownership document (i.e., MCO, title) is lost before titling in the purchaser’s home state. The State of Michigan cannot issue a replacement title without this record, and the customer will be required to use their home state’s procedures.

8-4.2 Proof of Insurance. Proof of Michigan no-fault or out-of-state insurance is required. This can be insurance for any vehicle in the purchaser’s name. The insurance certificate does not have to name the in-transit vehicle.

8-4.3 Out-of-state Address. An out-of-state address is required on the RD-108 showing where the vehicle will be titled and registered. No Michigan title will be issued. The RD-108 should show lienholder information in the “First Secured Interest” section, if applicable. Although Michigan will not record the lienholder in our records, adding lienholder information on the RD-108 helps to ensure the lien is recorded on the purchaser’s issuing state’s title.

8-4.4 Procedure. Use the following procedure to obtain an in-transit permit:

- a) Complete an RD-108 as follows:

- 1) In the space provided for the plate number, enter “NO TITLE – IN-TRANSIT”;
- 2) Enter the complete out-of-state address;
- 3) In the Remarks section, enter the state and title number of the title being transferred and “To be Titled and Registered in _____ (state)”;

Example:

REMARKS:

Michigan Title #226C450081

To be titled and registered in Texas

- 4) Enter the in-transit permit fee of \$10 on the RD-108 in the license fee box.
- b) Submit the properly assigned proof of ownership (title, MCO, etc.). It will be returned with the in-transit permit.
 - c) Instruct the owner to display the in-transit permit in the rear window of the vehicle. If there is no rear window, the permit should be displayed in a location where it can be seen by law enforcement.

8-4.5 Exporting Vehicles. Record keeping requirements are somewhat different when selling a vehicle which will be exported to another country or state compared to when selling a vehicle for registration within Michigan. See Section 8-5.11 for more information.

- a) **Tax Due.** Tax is due on all vehicles unless the purchaser is a licensed dealer or the vehicle is to be delivered by the Michigan dealer outside the boundaries of the State of Michigan. For export purposes, if a dealer contracts with a shipper and delivers the vehicle to a foreign destination, tax is not due. However, if a dealer delivers a vehicle to the purchaser’s representative who will arrange shipment to a foreign destination, tax is due as the transfer of ownership of the vehicle took place in Michigan.
- b) **Procedure.** The selling dealer assigns the title or MCO and completes an RD-108, odometer statement, and, if appropriate, a salvage disclosure statement. In the Remarks section of the RD-108, enter “TAX-EXEMPT – FOR EXPORT” and give the address of the port of exit where the vehicle will be delivered.
- c) **Processing.** The RD-108 is not processed at a branch office. The dealer keeps a copy of all documents, including bills of lading or other documentation and gives the title, a copy of the RD-108, odometer disclosure, and salvage disclosure to the purchaser. The dealer retains copies of this information for five years.

8-4.6 In-transit Permits – States with No Tax Reciprocity. If a dealer sells a vehicle that will be titled and registered in a state which has no tax reciprocity with Michigan (listed below), no tax is due. However, the law requires the customer to purchase the 14-day in-transit permit regardless of the method of transporting the vehicle, or else sales tax is due.

8-4.7 In-transit Permits – “No Tax Due” States. Some states do not charge sales tax on the purchase of vehicles or do not give the customer credit if they pay tax in Michigan. These include the following states:

Alaska	Mississippi*	North Carolina*
Arkansas*	Montana	Oklahoma*
Delaware	Nebraska	Oregon
District of Columbia*	New Hampshire	West Virginia*
Maryland*	New Mexico	

*Non-reciprocal (no credit given)

IMPORTANT NOTE: Sales tax rates and reciprocal agreements between states are subject to change without notice. Such changes may or may not be reflected in the Dealer Manual. It is the dealer’s responsibility to confirm all sales tax information. Up-to-date information concerning sales tax reciprocity or rates can be obtained by contacting the Michigan Department of Treasury at 517/636-4730.

8-4.8 In-transit Permits – States with Tax Reciprocity. If the purchaser is taking the vehicle to a state which is reciprocal with Michigan, two tax computations are required.

- a) Determine the amount of sales tax due in the purchaser’s home state. If that state allows a trade-in credit, the full trade-in allowance (100%) is used in the first computation.
- b) Determine the amount of 6% sales tax in Michigan, as if the purchaser is a Michigan resident.
- c) After making the two computations, collect the lower amount. If the out-of-state tax amount is the lower amount, show in the Remarks section of the RD-108 the method used to determine the sales tax, such as 4.25% New York tax with \$5,040 trade-in credit.

Example: The purchaser will be taking her new car to New York. The purchase price is \$10,760. She received \$5,040 for her trade-in.

First Computation: New York tax (4.25% tax rate, full trade-in credit):

$$\$10,760 - \$5,040 = \$5,720 \times .0425 = \mathbf{\$243.10} \text{ (New York total)}$$

Second Computation: Michigan tax (6% tax rate, no trade-in credit):

$$\$10,760 \times .06 = \mathbf{\$645.60} \text{ (Michigan total)}$$

In this example, the New York computation provides the lesser amount and is the amount collected.

8-4.9 When Going to Canada or Another Country. If the purchaser is taking delivery of the vehicle in Michigan and transporting it to Canada or another country (including U.S. territories), 6% Michigan sales tax is due. If the vehicle is being delivered by the dealer or dealer's representative outside the State of Michigan, sales tax is not due. (See Sections 8-5.10 and 8-5.11 and Chapter 3, Section 3-9 for more information.)

8-4.10 State Sales Tax Used for In-transits. Each state has applicable trade-in credits and tax rates. The following table shows the current trade-in credit and tax rates:

Table 2
State Sales Tax Used for In-transits
(As of February 2003)

State	Trade-In	Tax Rate	State	Trade-In	Tax Rate
Alabama	Yes	2%	Missouri	Yes	4.225%
Arizona	Yes	5.6%	Nevada	No	6.5%
California	No	6%	New Jersey	Yes	6%
Colorado	Yes	2.9%	New York	Yes	4.25%
Connecticut	Yes	6%	North Dakota	Yes	5%
Florida	Yes	6%	Ohio	Yes ⁽³⁾	6%
Georgia	Yes	4%	Pennsylvania	Yes	6%
Hawaii	Yes	4%	Rhode Island	Yes ⁽⁴⁾	7%
Idaho	Yes	6%	South Carolina	Yes	5% ⁽⁵⁾
Illinois	Yes	6.25%	South Dakota	Yes	4%
Indiana ⁽¹⁾	Yes	6%	Tennessee	Yes	7%
Iowa	Yes	5%	Texas	Yes	6.25%
Kansas	Yes	5.3%	Utah	Yes	4.75%
Kentucky	Yes ⁽²⁾	6%	Vermont	Yes	5%
Louisiana	Yes	4%	Virginia	No	3.5%
Maine	Yes	5%	Washington	Yes	6.5%
Massachusetts	Yes	5%	Wisconsin	Yes	5%
Minnesota	Yes	6.5%	Wyoming	Yes	4%

- (1) Indiana extends a sales tax credit to Indiana residents who purchase vehicles in Michigan, but does not require Indiana dealers to collect Michigan sales tax.
- (2) Trade-in credit allowed only when a *new* car is purchased from a Kentucky dealer.
- (3) Trade-in credit allowed only when a *new* car or motor home is purchased from a dealer.
- (4) Passenger cars only.
- (5) Maximum is \$300.

Section 8-5

DETERMINING SALES TAX

8-5.1 Requirement. See Section 8-1 for information on sales tax requirements.

8-5.2 Leasing Companies – Titling Vehicles. A vehicle leasing company with a Michigan tax registration number has a choice of how tax is paid when titling vehicles in its name. They may either:

- a) Pay the 6% tax at time of title application; or
- b) Pay tax on the monthly rental receipts directly to the Michigan Department of Treasury.

To be eligible to pay tax on the rental receipts, the leasing company must note “For Lease” on their RD-108 and also provide their Michigan use tax registration number.

NOTE: When titling a vehicle, some leasing companies allow the lessee to make a down payment (capitalized cost reduction) in order to lower the monthly lease payment. The Michigan Department of Treasury considers the down payment to be the first payment received on a leased vehicle. Since this is use tax and not sales tax, the tax on the down payment is not submitted with the RD-108. The lessor is responsible for remitting tax on the down payment. However, dealers may remit the down payment tax on behalf of the lessor, using their (the dealer’s) monthly sales and use tax return sheet.

8-5.3 Leasing Companies – Selling Vehicles. If the lessee elects to purchase the vehicle at the end of the lease contract (or if the leasing company sells the vehicle to a third party), the leasing company, if not a licensed dealer, collects sales tax on the sale price and issues the purchaser a tax receipt. (This also applies to rent-a-car companies and other businesses which sell more than five vehicles a year.)

8-5.4 Leased Vehicles – Tax Status. Procedures vary for leasing companies depending on possession of a Michigan tax registration number. These differences are specified in Michigan tax law, which allows a tax exemption only if the leasing company is paying Michigan tax based on its rental receipts.

- a) **With Michigan Tax Registration Number.** When a leasing company takes delivery of a vehicle in Michigan, the transaction is exempt from sales tax if the leasing company has a Michigan use tax registration number and claims a tax exemption. The claim must contain their use tax registration number and the notation “Tax-exempt – for Lease” in the Remarks section of the RD-108.
- b) **Without Michigan Tax Registration Number.** If the leasing company is not registered with the Michigan Department of Treasury as a leasing company (no use tax registration number), sales tax is due.
- c) **Out-of-state Leasing Company.** When an out-of-state leasing company takes delivery of a vehicle in Michigan, tax is not due if the leasing company has a tax registration from its home state and the vehicle will not be leased in Michigan.

The company must purchase a 14-day in-transit permit to be tax-exempt. If the vehicle will be leased in Michigan, the company must be registered in Michigan and follow the same requirements for a Michigan leasing company. Otherwise, tax is due on the full purchase price. See Section 8-4 for more information on in-transit permits.

8-5.5 Military Personnel.

- a) **Requirement.** Vehicles purchased by military personnel are subject to sales tax.
- b) **Nonresident Personnel.** Nonresident military personnel obtaining an in-transit permit are tax-exempt if, at the time of purchase, they submit a letter from their commanding officer providing the purchaser's home address and certifying armed forces status. This is not required with manufacturer in-transit permits for Military Sales, Inc. (See Section 8-4 for more information on in-transit permits.)

8-5.6 Michigan Rehabilitation Services Clients. Occasionally, the Michigan Rehabilitation Services (MRS) of the Michigan Jobs Commission will pay for a vehicle to be titled in their client's name. Because the state purchased the vehicle, tax is not due.

- a) **Procedure.** The client must submit a copy of form RA-Z40, Authorization and Billing, issued by Michigan Rehabilitation Services. Form RA-Z40 will show the client's name and the maximum amount approved for expenditure.
- b) **Purchase Price Exceeds Approved Amount.** If the vehicle purchase price exceeds the amount approved by MRS, the client is responsible for paying tax on the difference. Form RA-Z40 is submitted with the RD-108. Any plate fee must be collected, either from the client or using a Michigan Jobs Commission warrant.

8-5.7 Ministers. Ministers are subject to sales tax when acquiring a vehicle, mobile home, or watercraft.

8-5.8 Native American Indian Tribes. The Michigan Department of Treasury has recently revised its policy regarding the tax treatment of Native American Indian Tribes and members. For more information regarding taxation of Native American Indian Tribes and members, please contact the Michigan Department of Treasury at 517/636-4730.

8-5.9 Nonprofit Organizations. Certain nonprofit groups qualify for tax-exempt status when acquiring a vehicle. They must also meet the four qualifications listed below.

- a) **Exempt Nonprofit Groups.** The following nonprofit organizations, institutions, and agencies do not pay Michigan sales tax:
 - 1) Nonprofit school;
 - 2) Nonprofit hospital;
 - 3) Home for the care of children or aged persons;

- 4) Parent cooperative preschool (see Section 205.54a(a) of the Michigan Vehicle Code for special stipulations);
 - 5) Health, welfare, educational, charitable, or benevolent institution or agency.
- b) Qualifying Procedures.** The following are needed by nonprofit groups to qualify for Michigan sales tax exemption:
- 1) Organizations other than a nonprofit school, nonprofit hospital, church, government agency, or parent cooperative preschool, must submit either of the following:
 - i) Form C-3136, *Letter of Exempt Determination*, issued by the Michigan Department of Treasury; or
 - ii) Federal exemption letter showing that they are exempt from tax under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code.

NOTE: Photocopies are acceptable. Nonprofit schools, nonprofit hospitals, churches, and government agencies do not have to submit one of the documents listed above.

- 2) The vehicle must be titled in the name of the nonprofit entity (organization, institution or agency) and used to carry out the activities of the entity as described in its bylaws or articles of incorporation;
 - 3) The vehicle must be used exclusively by the entity which is serving the public at large; and,
 - 4) Individuals and private shareholders in the entity cannot benefit, in whole or in part, from the use of the vehicle.
- c) Qualified Organizations.** Organizations such as Girl Scouts and Boy Scouts, social and fraternal organizations such as the Lions Club, Kiwanis Club, Rotary International, etc., are subject to sales tax in Michigan, unless exempt under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code and the vehicle is used to carry out the activities of the entity as described in its bylaws or articles of incorporation.

NOTE: Tax is due on vehicles acquired by churches and houses of worship, except for vans and buses with a manufacturer's rated seating capacity of 10 or more passengers, and used to transport passengers for church functions. See Section 8-5.14.

8-5.10 In-state Delivery by a Michigan Dealer. Michigan dealers collect sales tax on the sale of vehicles, watercraft, and mobile homes delivered in Michigan.

- a) Requirement.** Included in the sales tax collection are nonresidents and out-of-state businesses. (For nonresidents, dealers do not always collect 6% sales tax.) Credit for Michigan sales tax paid can be claimed by the purchaser's home state if that state is reciprocal with Michigan.

- b) **Procedures.** Michigan vehicle dealers collecting sales tax from a nonresident submit a completed RD-108 even though the vehicle will be titled and registered in another state. Usually, an in-transit permit is required. (See Section 8-4 and Chapter 3, Section 3-9 for more information on in-transit permits.)

8-5.11 Out-of-state Delivery by a Michigan Dealer – “Export Sale.” When a Michigan dealer sells a vehicle to an out-of-state purchaser, sales tax is due unless the purchaser is a licensed dealer or the Michigan dealer will export the vehicle. (See Section 8-4.5 for details.)

- a) **Requirement.** According to the Michigan Department of Treasury, a vehicle must be delivered to an out-of-state destination to qualify as a tax-exempt export sale. The Michigan dealer must actually deliver or pay a third party to deliver the vehicle outside the State of Michigan for the sale to be tax-exempt.

NOTE: A third party (e.g., shipping company or transporter) that is contracted by the purchaser to pick up the vehicle is acting as the purchaser’s representative. If a third party takes delivery of the vehicle on the purchaser’s behalf within the State of Michigan, the sale does not qualify as a tax-exempt export sale.

- b) **Procedure.** The selling dealer assigns the title or MCO (with proper odometer disclosure), completes an RD-108, and – if appropriate – a salvage disclosure statement. In the Remarks section of the RD-108, enter “TAX-EXEMPT – FOR EXPORT” and give the address of the out-of-state destination to which the vehicle will be delivered.
- c) **Processing.** The RD-108 is not processed at a Secretary of State branch office. The dealer gives the assigned title or MCO, the original copy of the RD-108, the odometer disclosure, and the salvage disclosure (if applicable) to the purchaser. The dealer keeps a copy of all documents for five years.
- d) **Records.** Documentary evidence proving that the dealer delivered the vehicle outside of Michigan must be kept in the dealer’s records. Evidence includes a copy of the completed RD-108; a waybill or bill of lading from a shipping or trucking company; trip sheet; driver’s logs; and/or other documentary evidence to verify delivery to a destination outside the State of Michigan. The dealer retains these documents for five years.
- e) **Tax Liability.** When the Michigan Department of Treasury conducts a tax audit of a licensed Michigan vehicle dealer, the dealership will be held liable – as the retailer – for the sales tax, unless the appropriate documentation can be presented.
- f) **In-transit Permits.** A 14-day in-transit permit cannot be obtained for an export sale. (See Chapter 3, Section 3-9.)
- g) **Other Delivery Arrangements.** If the nonresident purchaser arranges for someone to take delivery of the vehicle within Michigan on his/her behalf, the sale is subject to Michigan tax.

8-5.12 Rebates. A purchaser may be exempt from sales tax on rebates depending on the type of rebate.

- a) **Manufacturer Rebates.** Tax is due on rebates from manufacturers. The rebate cannot be subtracted from the vehicle purchase price when computing sales tax. (It is not a discount offered by the seller.) This rule applies even when credit is given at the time of sale and the owner will not receive a rebate check in the mail.
- b) **Dealer Rebates.** These are discounts offered by the dealer and are not subject to tax. The amount of the dealer rebate or discount is deducted before calculating tax due. This type of rebate or discount may be documented in the Remarks section.

8-5.13 Relatives. Sales tax is due when a retailer sells anything to an immediate family member (a dealer sells a car to his/her son, etc.).

8-5.14 Religious Groups – Church Vans and Buses. Religious groups are not tax-exempt just because they are a religious group. Some religious organizations qualify for a tax exemption on their school bus if their school is an educational institution (Michigan Department of Education-accredited, Monday to Friday). School buses must be titled in the name of the school.

- a) **Vans and Buses.** Certain vans and buses purchased by a church may be tax-exempt. To be tax exempt, the vehicle must be titled and registered in the name of the church. The church must claim the tax exemption using form TR-34, *Certification*, or church letterhead stationery certifying the qualified vehicle will be used for church functions. Sales tax is not due in the following instances:
 - 1) The vehicle has a manufacturer's rated seating capacity of 10 or more passengers (a large van or bus), and,
 - 2) The vehicle is purchased to transport passengers for church functions (Sunday or bible school, transporting senior citizens to church, etc.).
- b) **Other Vehicles.** All other vehicles sold to churches or houses of worship are taxable. Ministers are not exempt from tax when acquiring any vehicle, mobile home, or watercraft. Some religious groups' administrative council may be part of the church, in which case the exemption for buses and vans above applies. Questions regarding their tax status should be referred to the Michigan Department of Treasury at 517/636-4730.

8-5.15 Repossession by Secured Party. When an owner defaults on the financing agreement for a vehicle, the vehicle can be taken (repossessed) by the lender (secured party).

- a) **Secured Party Exempt Status.** The secured party is tax-exempt when applying for a resale title (see Chapter 3 for resale titles). If the secured party applies for a regular title (not resale), tax is due.
- b) **Repossessor or Purchaser Status.** Tax is paid by the purchaser when the reposessor sells the vehicle at a later date. This tax is collected by the reposessor if the reposessor sells more than five vehicles a year. The reposessor issues a tax receipt, which Secretary of State branch offices accept in lieu of collecting tax.

8-5.16 Resale Titles. Resale titles show the legend “Not Eligible for Plates – No Tax Paid.” See the headings “Dealers” or “Repossession by Secured Party” for more information.

8-5.17 School Buses. When a school bus is acquired by an accredited educational institution (Monday to Friday, Michigan Department of Education-approved curriculum), no tax is due. The bus must be titled in the name of the school or school district.

8-5.18 Trade-in Credit. There is no trade-in credit or allowance of any kind when a Michigan resident buys a vehicle in Michigan or in another state. Tax is assessed on the full purchase price of the vehicle before subtracting any value of a trade-in vehicle. The exception is vehicles purchased by non-residents on an in-transit RD-108, to be titled and registered in their home state, as previously explained.

8-5.19 Vehicle Warranties. A manufacturer’s extended warranty (purchased by customer) or service contract is taxable if it is not optional and must be purchased with the vehicle. If purchased as an add-on option (separate charge), no tax is due.

CHAPTER 9

FOREIGN SALVAGE VEHICLE DEALERS

Section 9-1

LICENSING OF DEALERS

9-1.1 Authorization. Section 248 of the *Michigan Vehicle Code* (MCL 257.248) requires that foreign salvage vehicle dealers be licensed by the Michigan Department of State. Any person coming into Michigan to buy or sell late model distressed vehicles or major component parts must have a current Michigan license as a Foreign Salvage Vehicle Dealer (Class H). To qualify for this license, Foreign Salvage Vehicle Dealers must also be licensed as a salvage dealer in vehicles or parts in their home state or jurisdiction. The Class H license authorizes the Foreign Salvage Dealer to engage – in the state of Michigan – in wholesale activities only.

NOTE: Michigan Foreign Salvage dealers may not operate a business in Michigan. Vehicles or vehicle parts purchased in Michigan must be taken to the dealer's home state for dismantling, assigning part numbers, and entry into their dealer records.

9-1.2 Violations. A Michigan foreign salvage vehicle dealer license or salvage vehicle agent license may be suspended or revoked if a dealer is cited for violating the Michigan Vehicle Code. Infractions cited in Michigan may be reported to the agent's home state licensing agency.

9-1.3 Dealer Classification. A Class H dealer license authorizes a dealer to buy or sell late model distressed vehicles or major component parts only at wholesale in Michigan. However, a Class H dealer must have a salvage vehicle agent license to buy or sell late model distressed vehicles or late model major component parts at Michigan auctions, brokers, or salvage pools. A salvage vehicle agent license is not necessary when dealing at other dealerships in Michigan, provided the activity is wholesale only.

Section 9-2

RECORD KEEPING REQUIREMENTS

9-2.1 Requirements. A foreign salvage vehicle dealer must keep and maintain business records daily. These records include the following:

- a) Police Book (refer to Chapter 2, Section 2);
- b) Major Component Parts Record;
- c) Odometer Disclosure Statements (copy of conforming title or other odometer disclosure statement);
- d) Salvage Disclosure Statements.

9-2.2 Records Inspection. Michigan dealer records may be inspected by the Michigan Department of State or law enforcement officials.

- a) As a licensed Michigan Foreign Salvage Vehicle Dealer, requested records must be produced within 48 hours at a time and place designated by the Michigan Department of State.
- b) Inspections are required by law. A dealer who fails to maintain records, fails to produce records, or hinders or obstructs an inspection or investigation may have their Michigan Class H Foreign Salvage Dealer license summarily suspended.

Section 9-3

SALVAGE AND SCRAP TITLES

9-3.1 Salvage Titles. The following factors determine if a vehicle needs or qualifies for a salvage title:

- a) A vehicle must be titled as salvage if it is a late model distressed vehicle with an estimated repair cost from 75% to 91% of its pre-damaged value:
 - 1) Before any owner transfers ownership, transports, or sells it;
 - 2) Within five days of acquiring the vehicle if the buyer is a dealer and the vehicle does not already have a salvage title; or,
 - 3) After payment of a total loss claim if the insurance company permits the owner to retain ownership.
- b) A vehicle must have a Michigan salvage title if brought into Michigan from another state or jurisdiction with a comparable title.

- c) A vehicle must have a salvage title if it is a late model, stolen, recovered vehicle owned by an insurance company licensed to conduct business in Michigan and it has one or more major component parts wrecked, destroyed, damaged and not salvageable, missing, or stolen. This is necessary regardless of the amount of damage or estimated cost of repairs, except a vehicle with damage repairs estimated at or above 91% of its pre-damaged value requires a scrap title.
- d) A vehicle may have a salvage title if any owner decides a salvage title is appropriate. This is regardless of the age of the vehicle and even if repair costs are less than 75% of the pre-damaged value. A late model distressed vehicle with an estimated damage of 91% or more *must* have a scrap title.

9-3.2 Scrap Titles. The following factors determine if a vehicle needs or qualifies for a scrap title.

- a) A vehicle must be titled as scrap if it is a late model distressed vehicle with an estimated repair cost of 91% or more of its pre-damaged value:
 - 1) Before any owner transfers ownership or transports the vehicle; or,
 - 2) Within five days of acquiring the vehicle if the buyer is a dealer and the vehicle does not already have a scrap title.
- b) A vehicle must have a Michigan scrap title if brought into Michigan from another state or jurisdiction with a comparable title (e.g., junk, non-repairable, etc.).
- c) A vehicle may have a scrap title if any owner decides a scrap title is appropriate. This is regardless of the age of the vehicle or the estimated cost to repair. Any vehicle that has previously been issued a Michigan scrap title cannot be retitled.

Section 9-4

BUYING AND SELLING VEHICLES

9-4.1 Buying Vehicles in Michigan. Vehicles or vehicle parts purchased in Michigan by Class H dealers must be taken to their home state for dismantling, assigning parts numbers, and entry into their dealer records. Immediately after acquiring a salvage or scrap vehicle, a dealer must record certain information in the dealer's Police Book. This includes the following:

- a) **Purchase Number.** This is the stock number or inventory control number which a dealer assigns to a vehicle. Purchase numbers must be assigned in sequential order corresponding to the chronological order in which the dealer acquires ownership of vehicles.
- b) **Vehicle Identification.** Enter the year, make, vehicle identification number, and vehicle color.

- c) **Title Information.** Enter the title number in the space provided and show in the Remarks section which kind of title has been received, i.e., whether it is a regular, salvage, or scrap title.
 - 1) If the title is not a Michigan title, the dealer must identify the state which issued the title and list the title number in the dealer's Police Book.
 - 2) Scrap-titled vehicles must eventually be destroyed or dismantled. Parts must be logged into the dealer's Major Component Parts Record.
- d) **Seller Information.** Enter the name and address of the person from whom the dealer purchased the vehicle and the date it was acquired. If the vehicle was purchased through a broker, auction, or salvage pool, the dealer may show the name and address of the broker, auction or pool in the Remarks section. The owner of the vehicle shown on the title is the seller for this purpose.
- e) **Purchaser Information.** When the Foreign Salvage Vehicle Dealer sells the vehicle under a home state license, the name and address of the purchaser of the vehicle and the sale date must be entered in the dealer's Police Book.

NOTE: Vehicles purchased in Michigan by Class H dealers may not be resold in Michigan unless the vehicle has been taken to the dealer's home state and retitled there.

9-4.2 Selling Vehicles in Michigan. Any vehicle brought into Michigan for sale must be sold at wholesale only. Class H dealers are not authorized to sell vehicles at retail in Michigan. Every salvage vehicle brought into Michigan to be sold at wholesale must be entered in the Police Book at or before the time the vehicle is offered for sale. This entry must be made whether or not the sale is completed. (Scrap vehicles may not be sold by a foreign salvage vehicle dealer in Michigan. They must be dismantled or destroyed.)

- a) **Basic Information.** The information that is required in Chapter 2, Section 2-2 must be recorded in the Police Book.
- b) **Purchaser Information.** When the vehicle is sold in Michigan to another dealer, record the name and address of the purchaser, the date of sale, and the Michigan dealer's license number.
- c) **Major Component Parts Record.** Late model major component parts purchased in Michigan, brought to Michigan for resale, or removed from vehicles acquired in Michigan must be entered in a Major Component Parts Record. Every late model major component part purchased in Michigan or removed from a vehicle purchased in Michigan must be assigned a stock or identification number. This information must be entered in the parts record. The number must be permanently affixed to the part. The parts record entry must contain the following information:
 - 1) Color of the vehicle;
 - 2) Stock or identification number assigned to the part;
 - 3) Police Book entry number (if different from the stock number) and the VIN;

- 4) Name and address of the person from whom the part was acquired and the date of acquisition, if purchased outright.
- d) **Odometer Statements.** Salvage-titled vehicles less than 10 years old are subject to both Michigan and federal odometer laws. Copies of conforming titles showing both incoming and outgoing records of odometer disclosure must be maintained at least five years and be available for Michigan Department of State inspection.
- e) **Disclosure Statements.** The dealer has a legal obligation to disclose to a purchaser that the salvage vehicle was previously a distressed vehicle. This applies to both wholesale and retail sales.
 - 1) If the dealer is transferring a vehicle with a Michigan salvage title to a buyer before any repairs have been made, the dealer is not required to give any other notice or disclosure statement. The salvage title serves this purpose.
 - 2) If a Michigan salvage title has been changed to another kind of title, such as a Michigan “rebuilt” title or “previously issued salvage” title, the dealer must give the buyer a written Salvage Vehicle Disclosure statement (see Appendix A). This statement must be signed by both the dealer and buyer. A copy must be given to the buyer before the sale is completed.

NOTE: Class H Foreign Salvage Vehicle Dealers may have other requirements placed upon them by their home state. It is the dealer’s responsibility to know and observe these requirements.

Section 9-5

REBUILDING A MICHIGAN SALVAGE VEHICLE

9-5.1 Requirements. Once issued a salvage title, a vehicle cannot be retitled in Michigan until it has been inspected and recertified by a specially trained Michigan police officer. A fee must be paid to the law enforcement agency upon completion of the inspection. The dealer may apply for a Michigan “rebuilt” title from the Michigan Department of State following the inspection and recertification. See Chapter 5 for more information.

9-5.2 Vehicles Returning to Michigan. Any vehicle which leaves Michigan with a salvage title and later returns to Michigan for title or registration may require a Michigan recertification inspection and a rebuilt title application. This applies even if it was repaired in another state and retitled there. The vehicle cannot be titled and registered in Michigan until it is inspected and recertified by the appropriate Michigan procedure.

Section 9-6

DISMANTLING A VEHICLE

9-6.1 Surrendering the Title Document. When a vehicle is completely dismantled for parts only, the dealer surrenders the vehicle's title to the Michigan Department of State for cancellation.

9-6.2 Procedures. Here are the steps for surrendering a title:

- a) Write "JUNK" or "SCRAP" across the face of the title, date and sign the notation, and mail the title to the following address:

Michigan Department of State
Bureau of Driver and Vehicle Records
Conversion Unit
Lansing, Michigan 48918

- b) Complete the entry in the Police Book by indicating that the title was surrendered as "JUNK" or "SCRAP" and the date.

NOTE: Some Class H Foreign Salvage Vehicle Dealers may be required to surrender the title to the dealer's home state. Simply indicate this in the Police Book along with the date of title surrender.

APPENDIX A

FORMS AND PUBLICATIONS

Forms referenced in the Dealer Manual are listed here by order of form number, form description, and source. Please refer to this key to determine where to obtain the form(s).

<u>SOURCE KEY</u>			
①	Local Secretary of State Branch Office	⑤	Michigan Department of State Licensing Section 208 North Capitol Ave., 2 nd Floor Lansing, Michigan 48918-1210 Phone: (517) 373-9460 Fax: (517) 335-2810
②	Michigan Department of State Purchasing & Contracts Section Lansing, Michigan 48918-1444 Phone: (517) 373-2570 Fax: (517) 335-7338		
③	Printer or Business Form Company	⑥	Web Site: http://www.michigan.gov/sos , Click on "Services to Businesses" or "Owning a Vehicle"
④	Local Law Enforcement Authorities	⑦	Fax-on-Demand

<u>Form No.</u>	<u>Form Description</u>	<u>Source</u>
None	<i>Michigan Vehicle Code (\$16 by mail, \$12 picked up)</i>	②, ⑥
None	<i>Michigan Vehicle Dealer Close-Out Statement (Temp. Location)</i>	⑤, ⑥
None	<i>Uniform Vehicle Dealer Surety Bond</i>	⑤, ⑥
None	<i>Major Component Parts Sale Record</i>	③
None	<i>Odometer Disclosure Statement</i>	③
None	<i>Police Book</i>	③
A-226	<i>Michigan Department of State Refund Request Form</i>	①, ⑥
AR-0012	<i>Motor Vehicle Repair Facility Registration Application</i>	⑤, ⑥
AR-0032	<i>Original Vehicle Dealer License Application</i>	⑤, ⑥
AR-0033	<i>Vehicle Dealer License Renewal Application</i>	⑤
AR-0066	<i>Vehicle Dealer Supplemental Location License Application</i>	⑤, ⑥
AR-0068	<i>Vehicle Dealer License Application Change of Name and/or Change of Address</i>	⑤, ⑥
AR-0069	<i>Dealer Corporate Officer Change Application</i>	⑤, ⑥

<u>Form No.</u>	<u>Form Description</u>	<u>Source</u>
AR-0184	<i>Application for the Replacement of a Lost Title</i>	⑤, ⑥
AR-0185	<i>Dealer's Lost Title Replacement Certificate Form</i>	⑤
AR-0188	<i>Original Salvage Vehicle Agent License Application</i>	⑤, ⑥
AR-0191	<i>Salvage Vehicle Agent Application for Corrected or Duplicate License</i>	⑤, ⑥
B-32	<i>Parental Consent to Sell a Vehicle to a Minor</i>	①, ②, ⑥
BFS-4	<i>15-Day Temporary Registration for a Motor Vehicle, Trailer, or Trailer Coach--New Plate</i>	①
BFS-18	<i>Dealer Request for a Designated Branch Office</i>	①, ⑥
BFS-72	<i>Instructions for Titling an Assembled Vehicle</i>	①
BFS-152	<i>Application for Electronic Funds Transfer (EFT)</i>	①, ⑥, ⑦
Form 137	<i>Affidavit to License and Title a Demonstrator</i>	③
MV-118	<i>Michigan License Plate Fees and Base Prices booklet</i>	①, ②, ⑥
RD-108	<i>Application for Michigan Title--Statement of Vehicle Sales</i>	③
TR-9	<i>Scrap Vehicle Inventory</i>	②
TR-11L	<i>Application for Certificate of Title and Registration</i>	①, ⑥
TR-12	<i>Application for Original Michigan Salvage Title or Scrap Title</i>	①, ②, ⑥
TR-13A	<i>Application for Salvage Vehicle Inspection</i>	①, ②, ⑥
TR-13B	<i>Salvage Recertification Inspection</i>	④
TR-29	<i>Certification from the Heir to a Vehicle</i>	①, ②, ⑥, ⑦
TR-34	<i>Certification</i>	①, ②, ⑥
TR-52	<i>Notice of Abandoned Vehicle</i>	④
TR-54	<i>Vehicle Number and On-Road Equipment Inspection</i>	①, ②, ④
TR-114	<i>Special Mailing of Certificate of Title</i>	①, ②, ⑥
TR-128	<i>Appointment of Agent</i>	①, ②, ⑥, ⑦
TR-205	<i>Ownership Certification</i>	①, ⑥
WR-11L	<i>Application for Certificate of Watercraft Title and/or Registration</i>	①

FAX-ON-DEMAND

Many Michigan Department of State forms can be obtained through the Department's Fax-on-Demand program.

- All it takes is one telephone call and the information you requested will be sent to your fax machine.
- There is no waiting. When the Fax-on-Demand computer receives your request for forms and information, it processes your order instantly.
- It can be used 24 hours a day, seven days a week.

Fax-on-Demand offers more than 50 forms, each with its own document number, which are listed on the following pages.

Using a touch-tone telephone key pad, enter the document number of the form you are requesting at the voice prompt. You can order as many different forms as you need.

There is no charge for the Fax-on-Demand service, other than the cost of a telephone call.

A catalog of all forms is available by telephoning Fax-on-Demand.

517/335-4FAX

The catalog will be faxed to the fax machine you designate.

There are three easy steps to Fax-on-Demand:

1. **Telephone 517/335-4FAX (4329).** Have the telephone number of your fax machine ready.
2. Respond to the recorded messages from Fax-on-Demand by entering the numbers on your telephone key pad.
3. Use the document numbers provided here or request them from Fax-on-Demand. Then order the documents and forms you need.

FAX-ON-DEMAND CATALOG OF DOCUMENTS

Document Number	Document Name	Description
104	Michigan Great Lakes Splendor License Plate Request Form	
105	The New Michigan Driver License	
111	Application for Appointment as Michigan Notary Public	
112	Fax form to schedule authentication requests	
113	Notaries Public Guide	
121	Change of Address/Voter Registration Form	<i>SOS-351 (2/99)</i>
135	University license plate application	<i>ED-109 (11/99)</i>
136	Amateur radio operator call letter license plate application	NOTE: Vehicle owner/lessee must hold an unexpired Amateur Radio Operator license issued by the FCC. <i>M-74 (11/96)</i>
137	Historic license plate application	<i>BDVR-96 (3/95)</i>
138	Veteran/Special Organization license plate application	<i>BDVR-87 (12/99)</i>
139	Personalized license plate application	<i>BDVR-107 (9/96)</i>
140	Handicapper parking permit application	<i>BFS-108 (12/95)</i>
150	Handicapper license plate application	<i>MV-110 (9/96)</i>
170	Graduated Licensing in Michigan	Questions & answers. <i>SOS-358 (12/96)</i>
174	Thumb/Southeast/Metro Detroit Testing Organizations	Periodically updated driver applicant information.
175	Upper Peninsula Testing Organizations	
176	Western Lower Peninsula Testing Organizations	
177	Northeast/Central Lower Peninsula Testing Organizations	
200	How to title and register a motor vehicle in Michigan	Information on titling and registering a vehicle in the State of Michigan.
202	Guide to renewing your license plate tabs in Michigan	How to renew your vehicle registration and license plate tabs in the State of Michigan.
203	Appointment of agent/power of attorney form	Used to assign legal power to a person for transferring the title or registration on a vehicle, watercraft or mobile home. <i>TR-128 (11/92)</i>
204	Certification from the heir to a vehicle	A form used to transfer ownership of a vehicle when the owner is deceased. <i>TR-29 (12/93)</i>
205	Certification of repossession	A form used to apply for repossession of a vehicle. <i>TR-10 (3/89)</i>
210	Mobile Branch Office	Information on our full-service mobile office.
400	Consumer's Automotive Information and Complaint Kit	<i>SOS-197 (11/97)</i> Used to file a complaint with the Bureau of Automotive Regulation about a problem with repair service or vehicle sales.
401	Consumer's Guide to Vehicle Leasing	<i>SOS-366 (5/98)</i>
402	Consumer's Guide to Vehicle Restoration	<i>SOS-371 (9/98)</i>

409	Consumer's Guide to Collision Repairs	<i>SOS-356</i> (12/01) Describes what is involved when collision repairs are needed and details your rights as a consumer.
410	Consumer's Guide to Brake Repair Service	<i>SOS-353</i> (9/01) Provides information about brake repairs and advises what to do if you have a complaint.
411	Consumer's Guide to Automatic Transmission Service	<i>SOS-264</i> (12/01) Provides information about automatic transmission problems and advises what to do if you have a complaint.
412	Auto Repair Rights and Tips	<i>SOS-142</i> (7/95) Important information about your rights as a consumer and also tips to help you avoid problems or unnecessary expense when your vehicle needs repairs.
413	Consumer Tips when Purchasing/Selling a New or Used Vehicle	<i>SOS-236</i> (12/96), <i>SOS-260</i> (7/96) What every buyer and seller should know about the purchase or sale of a motor vehicle.
414	Frequently Asked Questions About Becoming a Licensed Dealership	A listing of commonly asked questions about becoming a licensed dealership in Michigan.
415	Frequently Asked Questions About Mechanic Certification Requirements	<i>AR-0145</i> (5/00) Includes information about requirements, fees and trainee permits.
416	Mechanic Certification Test Site Locations	<i>AR-0144</i> (9/99) A list of selected SOS branch offices which offer mechanic testing.
417	Mechanic Recertification Information	<i>AR-1093</i> & <i>AR-0194</i> (5/00) Recertification training providers and requirements.
418	Mechanic Test Study Guides & Reference Materials	Includes study guides for Engine Tune-up/Performance, Electrical and Brakes as well as recommended reference materials for the Automotive & Light Truck Repair categories.
420	Electronic Funds Transfer Application for Dealerships	A form to establish an electronic funds transfer account with the Secretary of State.
440	Consumer Information Signs	A list of businesses that carry the signs required by MVSRA (Public Act 300 of 1974).
441	A Guide to the Auto Repair Law: for Mechanics & Repair Facilities	<i>AR-0097</i> (11/95)
601 - 620	Department of State Branch Office Locations and Hours	
801	UCC-1 and UCC1ad, National Original UCC Financial Statement & Addendum	<i>UCC-1</i> (7/29/98)
803	UCC-3 and UCC3ad, National UCC Financing Statement Amendment	<i>UCC-3</i> (7/29/98)
811	UCC-11 MI Information Search Request	<i>UCC-11</i> (10/19/01)
853	Requesting Your Own Record	<i>BDVR-153</i> (6/98) Use this form to request your own driving or vehicle record information.
854	Commercial Record Request	<i>BDVR-154</i> (6/98) Use this form to request driving or vehicle record information about someone else.
996	Substance Abuse Evaluation Form and Instructions	Includes sobriety documentation form and list of referral agencies.

APPENDIX B

PRINTING COMPANIES AND SUPPLIERS

The Michigan Department of State receives inquiries from dealers regarding various sources of information needed for compliance with state and federal laws. Although a specific company cannot be recommended, the following sources may be helpful.

Section 1

FORMS

ADP

Attn: Bob Willnus
23451 Cliffview Court
Farmington Hills, MI 48336
248/474-7993
fax: 248/474-7995

Autoforms, Inc.
8757 S. Greenwood Avenue
Chicago, IL 60619
1-800-432-1630 (Printer/Supplier)

Bart's Business Forms
12722 Hold South Road
Fenton, MI 48430
810/714-0360 (Supplier)
fax: 810/836-0362

Benjamin Press
Attn: Robert Benjamin
380 W. Van Buren
Battle Creek, MI 49017

Cadillac Printing Company
212 S. Mitchell Street
P.O. Box 157
Cadillac, MI 49601
616/775-2488 (Printer/Supplier)

Craft Press Printing
312 Bell Road
Niles, MI 49120
616/683-9694 (Printer/Supplier)

Dealer Office Express
3351 Claystone SE, Suite 106
Grand Rapids, MI 49546
616/785-8684 (Printer/Supplier)
800/237-2372
fax: 616/942-2216

Dealer Supply Network
516 N. Larch
Lansing, MI 48912
517/487-3574 (Supplier)

Diversified Business Forms
Attn: Dan Criel
951 N. Reading Road
Bloomfield Hills, MI 48304

Dodson, Inc.
Attn: Jeff Dodson
6731 Old 28th Street, SE
Grand Rapids, MI 49546

E. P. Maher
13967 Mettetal
Detroit, MI 48227
888/835-0077 (Supplier)

Easy Business Forms
1322 Barton Way
Troy, MI 48098
800/850-3279 (Printer/Supplier)

F. P. Horak Company
401 Saginaw
Bay City, MI 48708
517/892-6505 (Printer/Supplier)

Fidlar Doubleday, Inc.
Attn: Steve Rozewicz
6255 Technology Avenue
Kalamazoo, MI 49009
616/544-3600 (Printer/Supplier)
800/632-2259

Fremont Printing Company
8 E. Sheridan, P.O. Box 166
Fremont, MI 49412
616/924-0740 (Printer/Supplier)

Great Lakes Auto Dealer Supply Co.
41960 Joy Road
Plymouth, MI 48170
313/455-6300 (Printer/Supplier)
616/527-4470

Greatland Business Forms
P.O. Box 1157
Grand Rapids, MI 49501
616/791-0100 (Printer/Supplier)

Lauer, Inc.
105 N. Kidd Street
Ionia, MI 48846

Martel Business Forms
44930 Vic Wentz Drive
Clinton Township, MI 48036
800/836-0111 (Printer/Supplier)

Michigan Business Forms
411 Lake Lansing Road, Suite A-100
East Lansing, MI 48823
517/351-8900 (Printer/Supplier)

Michigan Independent Auto Dealers Assn.
5173 Berwyck Drive
Troy, MI 48090-3258
810/828-7010 (Printer/Supplier)

Motor Vehicle Forms & Printing Co.
4917 N. Grand River
Lansing, MI 48906
517/321-4351 (Supplier)

Motor Vehicle Technicians
24240 Kenosha Street
Oak Park, MI 48237
248/543-2655

MWG Corp.
2900 E. Jefferson, Suite A300
Detroit, MI 48207

O'Neil Office Center
116 W. Harris Street
Cadillac, MI 49601
616/775-9708 (Supplier)

Reigle Press, Inc.
P.O. Box 207
Flint, MI 48501
810/767-2320 (Printer)

Reynolds & Reynolds
P.O. Box 2237
Dayton, OH 45401-2237
800/323-1912 (Printer)

Sid Savage Auto Dealer Supply
27165 Northline
Taylor, MI 48180
800/521-1712 (Printer/Supplier)

Section 2**DEALER PLATE FRAMES**

Blake Specialties
1951 W. Skillman Avenue
St. Paul, MN 55113
612/631-0405

Deluxe Frame Company
2275 N. Opdyke, Suite D
Auburn Hills, MI 48326
810/373-8811

J. H. Corporation
6500 Schaefer
Dearborn, MI 48126
313/582-2700

Lee Wayne Company
2317 E. Lincolnway
Sterling, IL 61081
815/625-0980

Strand Art Company
4700 E. Hunter
Anaheim, CA 92807
800/233-8558

Trinkets-N-Treasures
5561 Allen Road
Allen Park, MI 48101
313/388-2389

William P. Froling Company
3715 E. 15 Mile Road
Sterling Heights, MI 48310
810/264-9300

Section 3**COMPUTERIZED POLICE BOOK AND
RD-108 SOFTWARE SUPPLIERS**

Certain printing companies listed in Section 1 of this Appendix may also offer software for completing the RD-108, keeping records of inventory, or other dealer activities. You may use Section 1 as a resource to find a company that may be able to meet your needs.

Generations Systems, Inc.
Attn: Ted Cooper
248/597-1003, ext. 22
fax: 248/597-1012
web site: www.Montana64@aol.com

HotSing, Inc.
Attn: David Jurk
2323 Arbor Tree Court SE
Grand Rapids, MI 49546-8506
616/942-4681
e-mail: david@hotsing.net
web site: www.hotsing.net

Igo Computer Consulting
Attn: Jeff Igo
434 Tannahill Street
Dearborn, MI 48124
313/562-2683
e-mail: igocc@consultant.com

RGP Technologies
Attn: Kristin Beck Powers
P.O. Box 24005
Lansing, Michigan
517-646-9792

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